

SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

Innamincka

- Yarrow 3 Gas Well drilling commenced and completed, reaching a total depth of 2748m
- Preliminary wireline evaluation of the Tirrawarra Sandstone and Patchawarra Formation was conducted and gas encountered in both horizons
- Yarrow has been estimated to have a 2C contingent resource of 18BCF
- Well has been cased and suspended as a potential future producer
- Results will now be evaluated to set forward plan
- Pipeline route approved

Killanoola

- Planning underway for DW-1 production from existing pay zones, and DW1 and SE-1 new perforations
- Planning commenced for the perforation of new zones and testing of both DW1 and SE1, including mobilising a rig
- Topside equipment is also being purchased
- Long term production to potentially follow

Corporate

- The Company continues to actively pursue opportunities
 - The Company has cash reserves as at 30 September 2022 of \$4.74m.
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Red Sky Energy (ASX: ROG) (**Red Sky** or the **Company**) is pleased to provide its September 2022 Quarterly Activities Report. During the quarter, activities were focused on its Innamincka Project (*Figure 1*), in particular, drilling operations at Yarrow 3 well. Red Sky holds 20% working interest in six PRLs (14, 17, 18, 180, 181, 182) at the Innamincka Dome in the Cooper Basin. Santos Limited (ASX:STO), the operator farmed in, holds the other 80%.

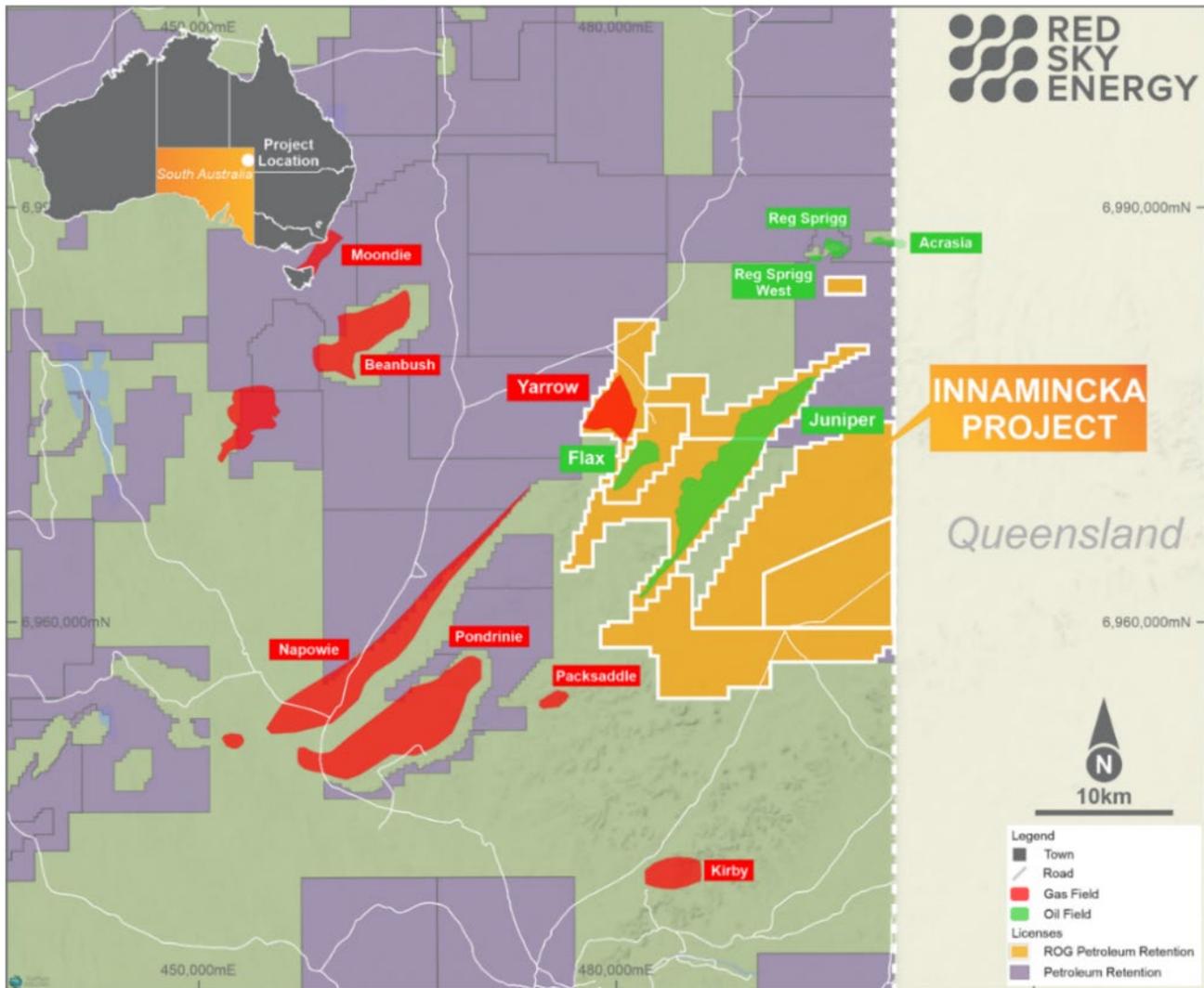
Innamincka Dome Projects


Figure 1: Innamincka Dome Projects location map

The Company announced that Santos Limited (ASX:STO) mobilised a rig and commenced drilling at Yarrow 3 on Thursday 15 September 2022 ([ROG ASX Release 16 September 2022](#)), drilling was ahead of schedule ([ROG ASX Release 21 September 2022](#)) and a total depth of 2748m was reached on Thursday 22 September 2022 ([ROG ASX Release 26 September 2022](#)) (Figure 2). Red Sky was free carried through the drilling of this well up to a cap of \$3 million.



Figure 2: Yarrow 3 Well activity site (Credit:Santos)

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.

Yarrow has 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 south east of Yarrow (Flax is a shut in oil field with associated gas that has not yet been produced). ([See ASX Release 6 May 2019](#))

Two weeks after drilling commenced, Santos Limited (ASX:STO) advised that the drilling operations at Yarrow 3 vertical well had been completed ([ASX Release 29 September 2022](#))

Yarrow 3 drilling was an operational success, with no incidents (*Figure 3*). The 4-1/2 inches production casing was set at a depth of 2744.5 metres and cemented as per the program. The well has been suspended, and the rig has been released. The wireline data collected at Yarrow 3 will now be evaluated to set the forward plan.

Santos has received approval for the construction of a pipeline to deliver the gas to market. A pipeline of approximately 18km would potentially be built to tie into the grid at Napowie to the south of the Yarrow gas field.

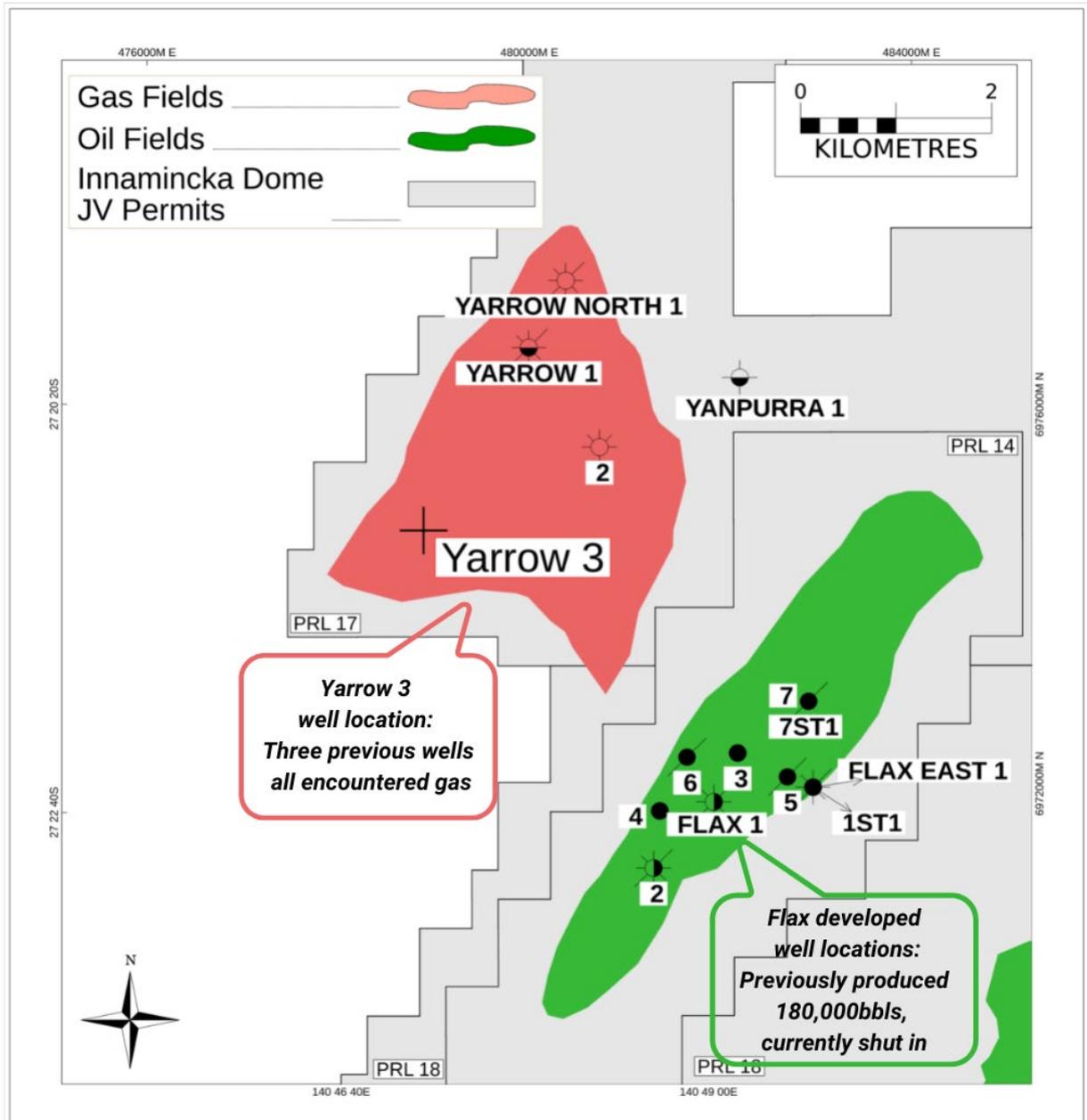


Figure 3: Yarrow and Flax Project Map

Killanoola Project

As previously reported, the Killanoola Project discovered potential PIIP has been revised upward from 7 mmbbls to 93 mmbbls Best Estimate, representing a 1228% increase. ([ASX Announcement 5 May 2022](#)) 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.

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, which commands a premium price (*Figure 4*). The maximum pour point is 36 degrees Celsius, and the API density is 36.7.

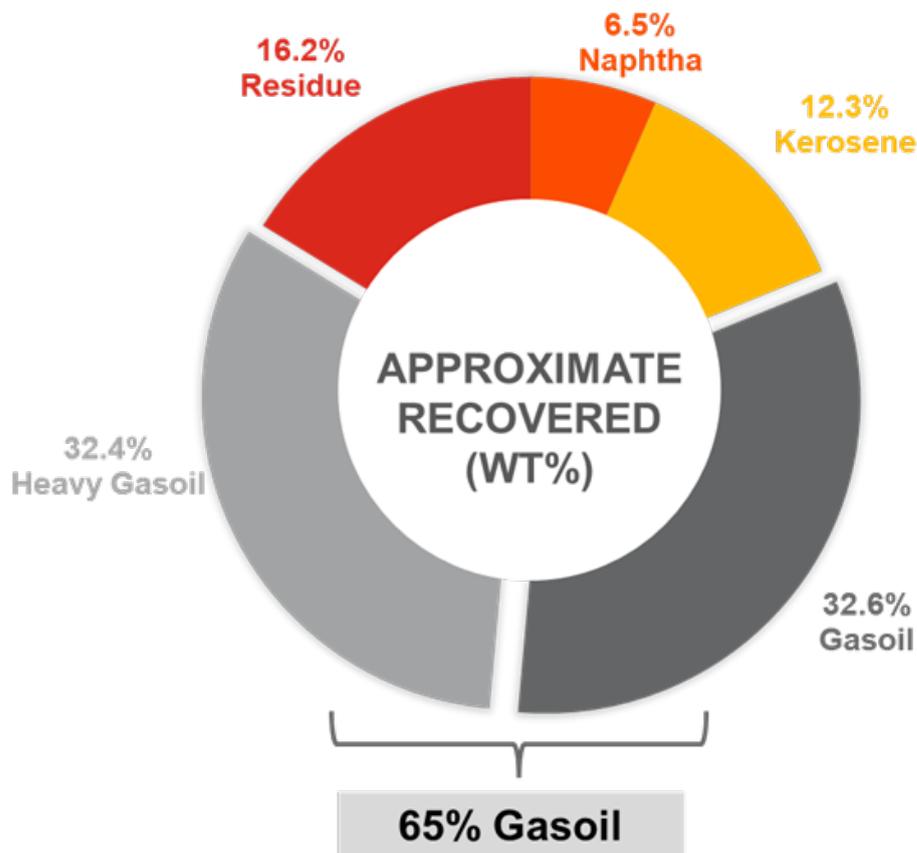


Figure 4: Killanoola Crude: Distillation Results

This waxy crude requires heating up throughout the production process: flowlines, separator, storage tank and trucking. Insulated ISO tanks are being completed to deliver crude (*Figure 5*) and further tanks are on order.

The Company is currently focused on planning DW-1 production from existing pay zones, and DW1 and SE-1 new perforations. These latter operations require mobilising a rig. Topside equipment is also being purchased.



Figure 5: Heated tank painted in Red Sky orange

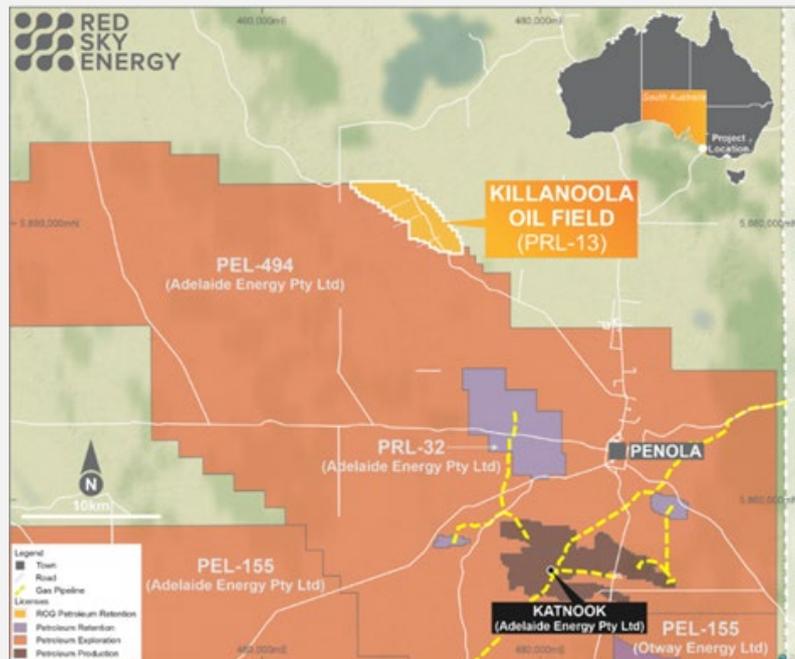


Figure 6: Killanoola Oil Field (PRL-13) location map
(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))

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. Equipment was demobilised from the site commencing 14 December 2021.

After an initial clean up period, the well produced oil with no water. 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 of 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.

Outlook

For its Innamincka Projects, the wireline data collected at the recently concluded Yarrow 3 drilling will be evaluated, the results of which will guide next steps. Further exploration and evaluation of other blocks are expected. The forward programme at Flax will be evaluated post Yarrow well results.

For its Killanoola Oil Projects, Red Sky is targeting up to 27.9 mmbbls oil recoverable. Production is expected to start in 4Q 2022. Killanoola can potentially become a material oil project for the Company’s future cashflow.

The Company’s Project Development Schedule was summarised in an [Investor Presentation](#) presented by Red Sky Executive Director Andrew Knox at the Good Oil Conference in September (Figure 7).

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

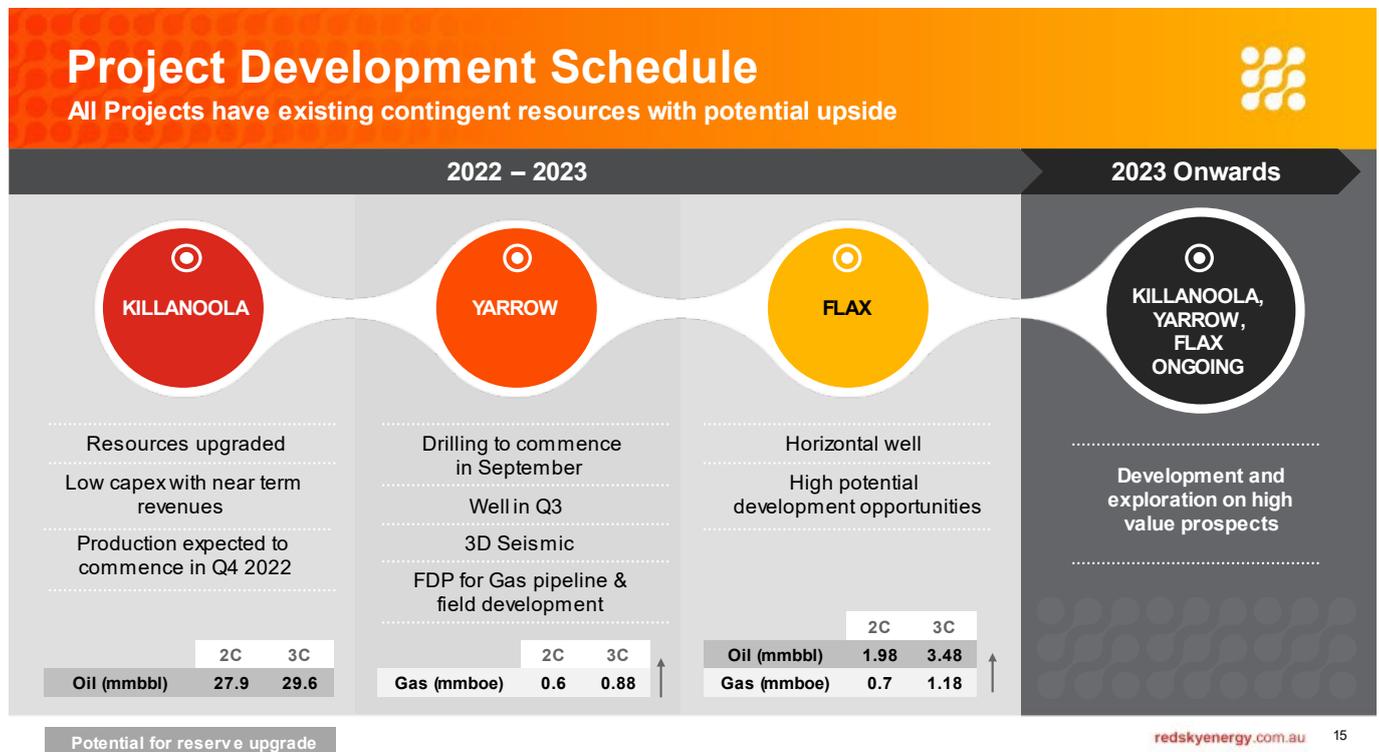


Figure 7: Red Sky Project Development Schedule 2022-2023

Cash

The company has cash reserves as at 30 September 2022 of \$4.74m.

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 September 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.

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:

$$N=7,758Vb\phi\text{SoiBoi}=7,758Ah\phi1-\text{SwiBoi}$$

- 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 SEPTEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(57)	(193)
(b) development		
(c) production		
(d) staff costs (not included above)	(150)	(304)
(e) administration and corporate costs	(123)	(358)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	9
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	(326)	(846)
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	(307)	(1,409)
(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 (9 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	(307)	(1,409)
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	5,376	6,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(326)	(846)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(307)	(1,409)
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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	4,743	4,743

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	234	870
5.2	Call deposits	4,509	4,506
5.3	Bank overdrafts		
5.4	Other		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,743	5,376

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	90
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)	(326)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(307)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(633)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,743
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,743
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.49
<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:14 October 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.