

## JUNE 2022 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

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- **New Independent Report at Killanoola calculated Best Estimate petroleum initially in place (PIIP) at 93 mmbbls**
  - **1228% increase in Best Estimate PIIP**
  - **Planning underway to put Killanoola DW1 into production**
  - **Planning commenced for the perforation of new zones and testing of both DW1 and SE1**
  - **Long term production to potentially follow**
  - **Yarrow drilling now scheduled to begin in October**
  - **The Company continues to actively pursue opportunities**
  - **The Company held an AGM on 26 May 2022 and all resolutions were passed**
  - **The Company has cash reserves as at 30 June 2022 of \$5.38m**
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**Australian Oil and Gas explorer and developer, Red Sky Energy (ASX: ROG) (Red Sky or the Company)** is pleased to provide its June 2022 Quarterly Activities Report.

### Killanoola Project

In May, the Company announced that the Killanoola Project discovered potential PIIP had 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.

As previously reported if oil is present in ASX Releases on [22 March 2021](#), petrophysical analysis had identified sixteen (16) metres of potential Net Pay in the Killanoola SE-1 well. Subsequent to that release the Company advised on [6 May 2021](#) that a new petrophysical analysis had identified an additional thirty seven (37) metres of potential Net Pay in the Killanoola-1 DW-1 well. This was in addition to the existing 5 metres of proven pay. The newly estimated Discovered PIIP values below take into account the additional net pay identified in the wells Killanoola SE-1 and Killanoola-1 DW-1 extended over the entire Killanoola field.

**Table 1: Summary of potential discovered Petroleum Initially In Place (PIIP) of the PRL-13 Killanoola Oil Field**

Killanoola Oil Field	Discovered Petroleum Initially In Place (mmbbls)		
	Low	Best	High
9 April 2021	2.0	7.0	13.8
31 March 2022 (Revised potential estimate)	57.2	93.0	98.6
% Increase	2760%	1228%	614%

Table 1 above summarises the discovered petroleum potentially initially in place of the Killanoola Oil Field as announced on [9 April 2021](#) and updated by GRI as at 31 March 2022. This evaluation was carried out in accordance with the Petroleum Resources Management System (PRMS) approved in 2018 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The report was prepared and supervised by the Competent Person.

As required, to remain compliant with PRMS (2018) when using the deterministic method, GRI has determined Low/Best/High volumes to determine estimates of the PIIP. These estimates do not represent how much oil may ultimately be recovered from the Killanoola Oil Field. The ultimate recovery depends on many other factors including the number of wells drilled, porosity and permeability of the reservoir and reservoir pressures.

GRI calculated a **Low estimate of 57.2 mmbbls which comprises volumes at the Killanoola-1, Killanoola-1DW-1, Killanoola S-1 and Killanoola SE-1.** areas as shown in the maps shown in Figure 1 below. Note that Killanoola South-1 is a proposed location and has not been drilled.

The **Best estimate of 93.0 mmbbls** and the **High volumes of 98.6 mmbbls** were calculated by extending the areas, and therefore the volumes, which could contain oil based on the map.

**About PRL-13**

PRL-13 covers an area of 17.5 km<sup>2</sup> 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.

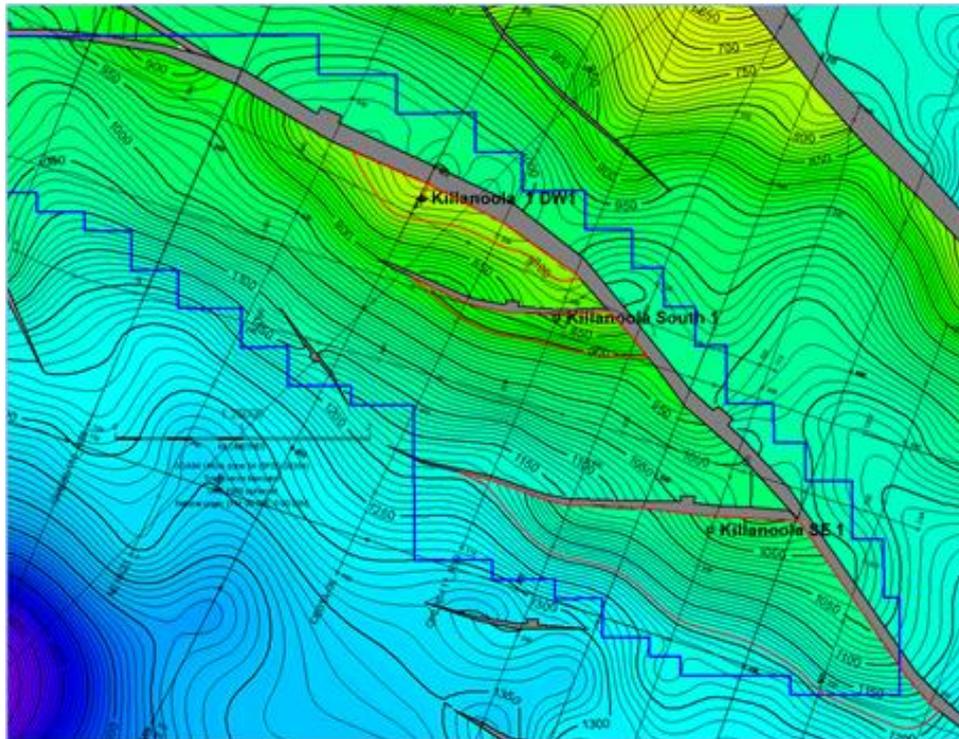


Figure 1: Rotated fault blocks with 2-way anticlinal closure

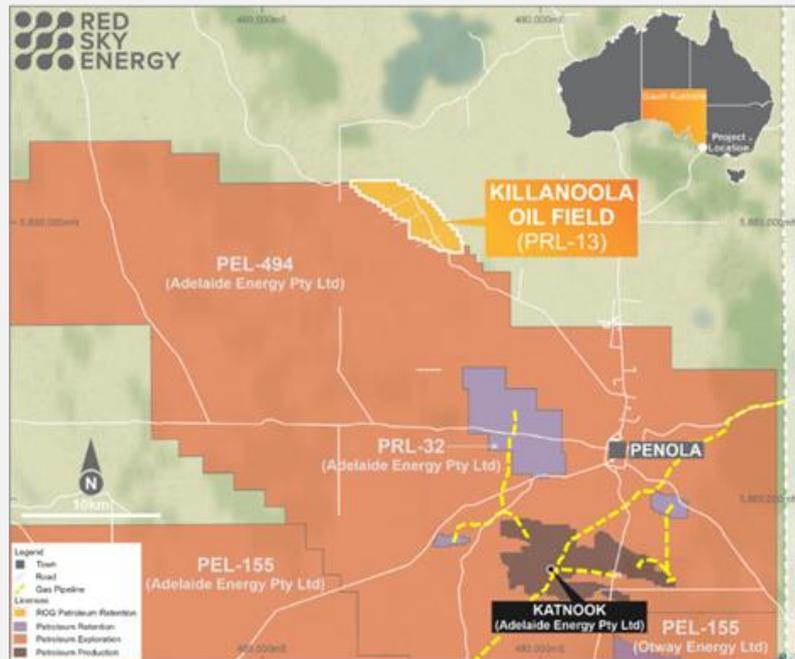


Figure 2: Killanoola Oil Field (PRL-13) location map  
(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))

### **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.*

### Innamincka Dome Projects

A drill target has been selected on the Yarrow gas field by the operator, Santos. This vertical well in the Santos drilling programme continues to be hampered by extended wet weather and is now scheduled for October 2022.

Red Sky is free carried through the drilling of this well up to a cap of \$3m.

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

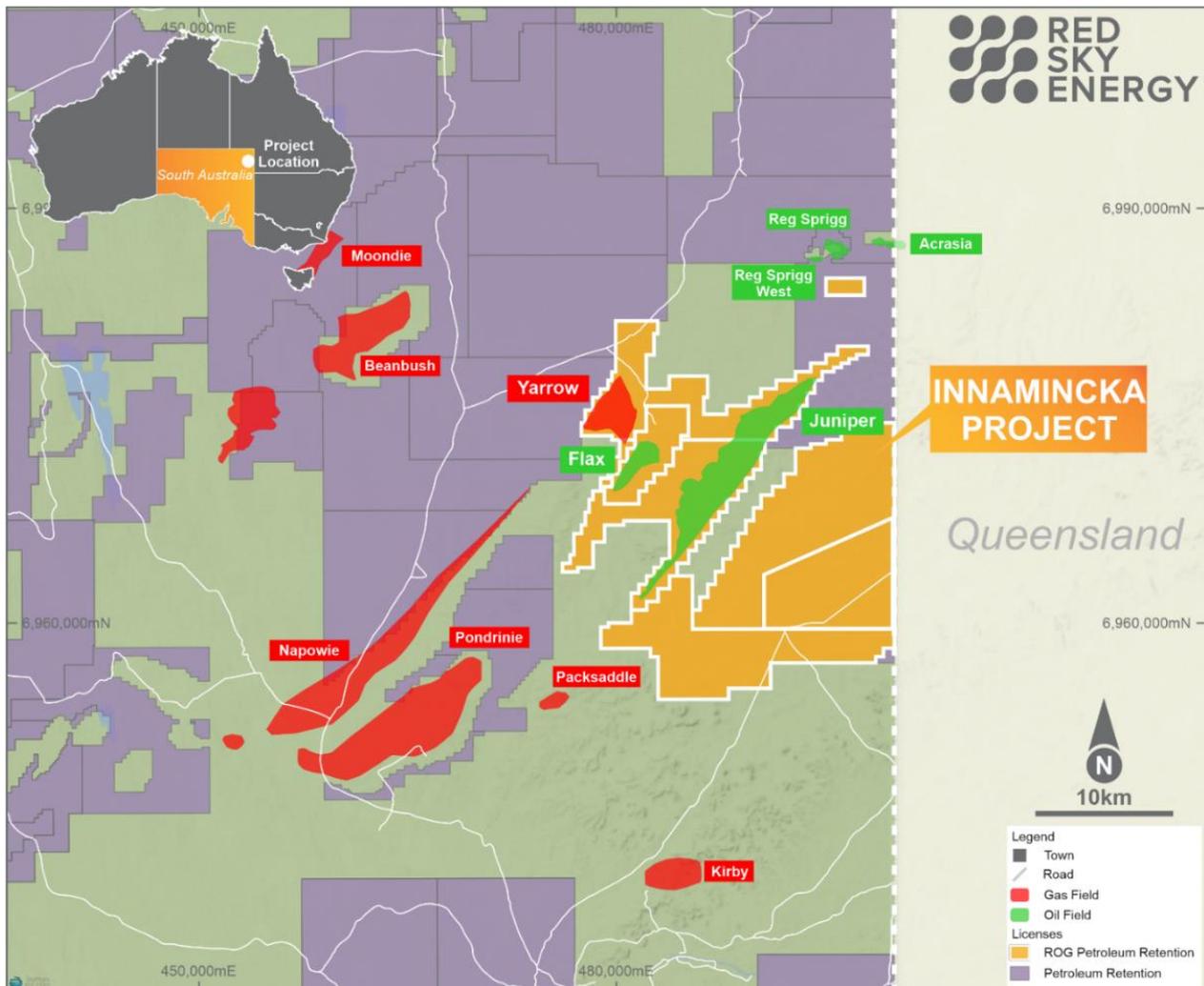


Figure 3: Innamincka Dome Projects location map

## Outlook

The Company is taking concrete steps to realise cashflow from Killanoola in the near to medium term. (See Figure 4 below from [Investor Update AGM Presentation May 2022](#).) The GRI analysis results have helped the Company identify potential additional resources and plan for the eventual comprehensive Killanoola full field development. Work on a market for the crude is continuing and planning has commenced to purchase long lead items, contract a rig and for the 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. In addition, Yarrow and Flax offer high potential development opportunities in the coming 18 months.

Red Sky continues to assess opportunities as part of its strategy of acquiring producing or near production assets.

Figure 4: Red Sky Steps to Realising Cashflow



## Annual General Meeting

Red Sky's Annual General Meeting of shareholders was held on [26 May 2022](#). The resolutions considered at the Annual General Meeting were put to a vote on a Poll, called by the Chairman, and were passed.

An [Investor Update AGM Presentation](#) was released to coincide with the AGM.

## Cash

The company has cash reserves as at 30 June 2022 of \$5.38m

**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 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](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	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:

$$N=7,758Vb\varphi\text{SoiBoi}=7,758Ah\varphi(1-\text{SwiBoi})$$

- The constant 7,758 is the number of barrels in each acre-ft,
- $V_b$  is bulk volume in acre-ft,
- $\varphi$  is the porosity ( $\varphi V_b$  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  $\text{ft}^2$ ,
- $h$  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 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 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation – including assessing potential new projects	(61)	(136)
(b) development		
(c) production		
(d) staff costs (not included above)	(77)	(154)
(e) administration and corporate costs	(150)	(235)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	5
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 Net cash from / (used in) operating activities</b>	<b>(286)</b>	<b>(520)</b>
<b>2. 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	(659)	(1,102)
(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 (6 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		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(659)</b>	<b>(1,102)</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,321	6,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(286)	(520)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(659)	(1,102)
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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
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>5,376</b>	<b>5,376</b>

<b>5.</b>	<b>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	870	816
5.2	Call deposits	4,506	5,505
5.3	Bank overdrafts		
5.4	Other		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,376</b>	<b>6,321</b>

<b>6.</b>	<b>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	90
6.2	Aggregate amount of payments to related parties and their associates included in item 2	22
<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

<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. 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 <b>Total financing facilities</b>		
7.5 <b>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)	(286)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(659)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(945)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,376
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,376
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	5.69
<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	

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

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 July 2022.....

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.