

Red Sky Energy Limited
Quarterly Report Ended
31 December 2020

SUMMARY OF ACTIVITIES

Highlights

- Agreement signed for acquisition of 100% of Killanoola oil field.
- Rights Issue made to fund work programme at Killanoola
- Further shortfall and new placements made to raise \$4.3M
- Major new shareholders participated in the placement in the Company
- Funds raised to underpin work programmes across the Killanoola Project, where the Company intends to re commence oil production

Killanoola

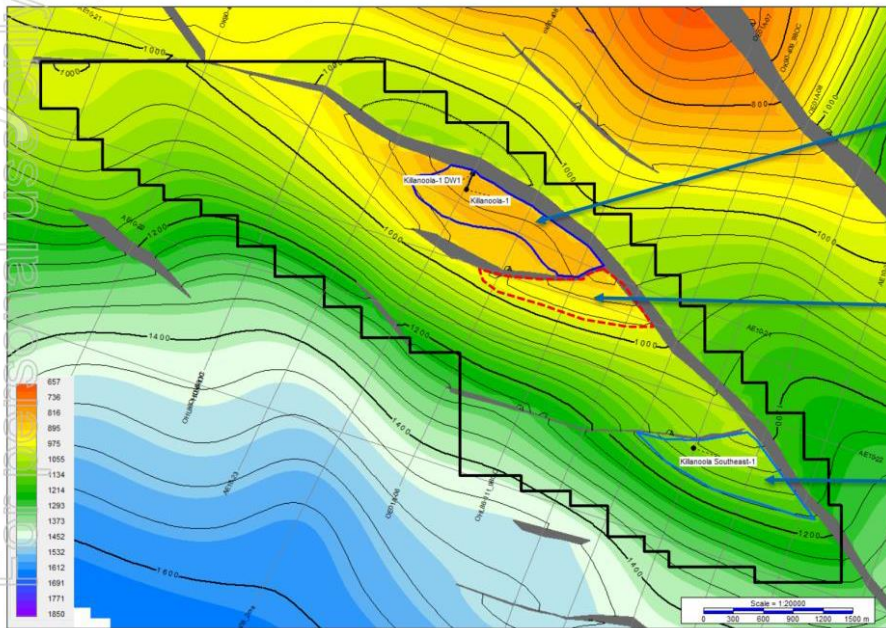
The Company through its wholly owned subsidiary Red Sky (Killanoola) Pty Ltd, entered into a binding Sale and Purchase Agreement (**SPA**) with Beach Energy Ltd ("**Beach**", ASX: **BPT**) subsidiary to acquire that subsidiary's 100% interest in South Australian Petroleum Retention Licence 13 (PRL-13) which contains the Killanoola oilfield. PRL-13 covers an area of 17.5 sq km and is located in south eastern South Australia close to the Jacaranda Ridge and Haselgrove Gas Fields and Katnook Gas Processing Facility in the Penola Trough of the onshore Otway Basin.

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.

Completion of the acquisition is expected in early February 2021, whereupon the Company will immediately initiate "re-start" planning for the Killanoola-1 well. Our aim is to resume oil production as soon as possible utilizing existing infrastructure and enhanced oil recovery techniques. In addition, the Company will record a 3D seismic survey, test Killanoola-Southeast-1 and complete a field development plan (FDP). A third prospect, Killanoola south, is yet undrilled. The FDP will guide development of the entire area.

Top Sawpit Sandstone Time Map



Killanoola

- Two-way dip two-way fault closure
- Discovery well Killanoola-1 drilled in 1999
- Killanoola-1 DW-1 drill 1999
- Flowed on DST at 118 bopd
- Suspended as future production well

Killanoola South

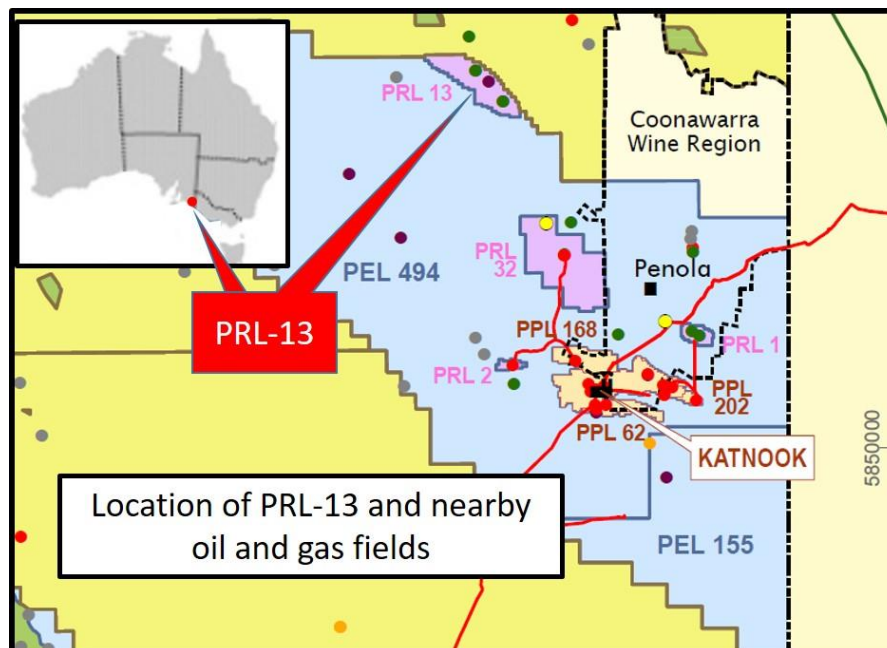
- Two-way dip two-way fault closure
- Remains untested

Killanoola Southeast

- Two-way dip two-way fault closure
- Killanoola SE-1 drilled in 2011
- Produced oil in DST
- Suspended as future production well

The acquisition of PRL-13 will afford Red Sky with a significant opportunity to leverage the recovery from the oil price downturn by quickly returning a quality shut-in asset to production, as well as delivering options to:

- seek to prove further reserves in the unexploited areas of the field; and
- develop reserves in the remaining highly prospective areas within the PRL.



Innamincka Dome, Cooper Basin

The Company is pleased to provide an update on the work programme review by Cooper Basin operator Santos Ltd (ASX:STO) in relation to Red Sky's onshore Cooper Basin retention licences. These are PRL 14, 17, 18, 180, 181 and 182 collectively known as the Innamincka Dome Projects.

During the quarter Santos have advised:

- The existing 2D seismic over the Yarrow gas field (PRL17) has been reprocessed.

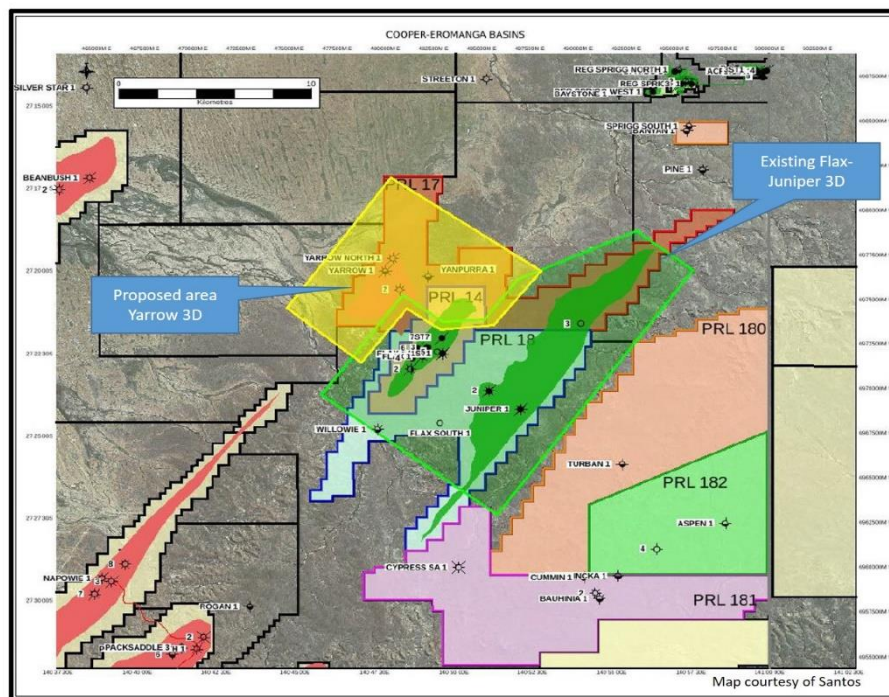
This will contribute to finalisation of a drilling location for an appraisal well. ROG anticipates the well will be drilled in late 2021.

The operator is currently reviewing the volumetrics at the Flax oil and gas field. A joint venture meeting is expected during the current quarter to discuss the drilling of a Flax horizontal well.

Santos Farm Out Terms

Santos to earn an 80% interest and operatorship (ROG: 20%) in Red Sky's onshore Cooper Basin retention licences PRL 14, 17, 18, 180, 181 and 182, collectively known as the Innamincka Dome Projects. The terms provide for Santos to:

- Fund 100% of 50km2 of 3D seismic over the existing Yarrow gas field in PRL 17, up to a maximum cost of A\$1.0 million.
- Fund 100% of an appraisal well in the Yarrow gas field in PRL 17 up to a maximum gross cost of A\$3.0 million.
- Fund 100% of a horizontal appraisal well in the Flax oil and gas field in PRL 14, up to a maximum gross cost of A\$5 million.
- Subject to satisfactory appraisal outcomes, initially fund 100% of any approved development of the fields, with Santos to be repaid for Red Sky's share of such development expenditure out of Red Sky's share of production.



Location map: Innamincka Dome PRLs.

Gold Nugget Gas Field

The planned well intervention was successfully completed in December after delays due to the Corona virus. The virus has also affected our operations management in Wyoming but the well is producing periodically. Inclement weather also continues to hinder our operations, however, this is an improvement over last (northern hemisphere) winter when production from the well was significantly impaired.

Corporate

During the quarter the Company initiated a Capital Raising to raise approximately \$4 million (**Capital Raising**). The Capital Raising comprised of a non-renounceable rights issue to raise approximately \$4 million (**Rights Issue**). The Rights Issue was offered to existing shareholders on the basis of one (1) new share for every one (1) existing share held at the Record Date at an issue price of \$0.02 (0.2 cents) per ordinary share. These Eligible Shareholders were also entitled to subscribe for additional shares in any shortfall in the Rights Issue. This resulted in 385.7m shares being subscribed for which included 184.6m of shortfall shares, raising \$0.77m before associated costs.

Post the quarter end, the Company has placed the balance of the shortfall as well as a further placement undertaken within the Company's placement capacity under ASX Listing Rule 7.1 and 7.1A. This initiative has raised a further \$3.2m and \$1.1m, respectively.

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 December 2020, pertain to payments to directors for fees, salary and superannuation.

COVID Update

Due to the current pandemic some staff are continuing to intermittently work remotely and preserve their ability to move when necessary.

The Company continues to actively review further acquisition opportunities in Australia and overseas.

Andrew Knox, Managing Director

Red Sky's CEO and Managing Director, Andrew Knox, said,

"Red Sky has been actively reviewing conventional production opportunities for some time and is delighted with the Killanoola oil field acquisition during what has been a difficult year for the world as a whole. Killanoola will provide production for the Company in the short term in a well established producing area, the Penola Trough, South Australia. Red Sky has a continuing watching brief on business opportunities that present themselves and we are pleased to have capitalised on this one.

The Company is well pleased with the support and interest we have received in our fund raising efforts over the festive period with the result being the Company is fully funded to implement the planned work programme for Killanoola.

The Company is pleased to welcome new shareholders to the register and again thanks all shareholders for their continuing support of our strategy to develop into a material full cycle E&P company."

Released with the authority of the Board.

ENDS

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 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 DECEMBER 2020

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (12 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 | (15) | (169) |
| | (b) development | | |
| | (c) production | | |
| | (d) staff costs (not included above) | (5) | (146) |
| | (e) administration and corporate costs | (4) | (138) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | | |
| 1.5 | Interest and other costs of finance paid | (1) | (6) |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives | 12 | 77 |
| 1.8 | Other (provide details if material) | | |
| 1.9 | Net cash from / (used in) operating activities | (13) | (382) |
| 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 | (8) | (16) |
| | (e) investments | | |
| | (f) other non-current assets | | |

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 (12 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 (provide details if material) | | |
| 2.6 | Net cash from / (used in) investing activities | (8) | (16) |

| | | | |
|-----------|---|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 771 | 1,171 |
| 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 | | (9) |
| 3.5 | Proceeds from borrowings | | 119 |
| 3.6 | Repayment of borrowings | (57) | (215) |
| 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 | 714 | 1,066 |

| | | | |
|-----------|--|------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 94 | 119 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (13) | (382) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (8) | (16) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 714 | 1,066 |

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 (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 787 | 787 |

| 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 | 299 | 94 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (held by share registry) | 488 | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 787 | 94 |

| 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 | - |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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.

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

| | | |
|---|---|--|
| 7. Financing facilities <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> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 Loan facilities | 284 | 284 |
| 7.2 Credit standby arrangements | | |
| 7.3 Other (insurance funding) | 57 | 57 |
| 7.4 Total financing facilities | 341 | 341 |
| 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. | | |
| <p>Loans of \$284,000 are present from the Managing Director, Mr Andrew Knox. These loans are unsecured and accrue interest at a rate of 10% per annum.</p> <p>A loan of \$57,000 is present relating to insurance costs funding from Bank of Queensland. This loan is unsecured and accrues interest at a rate of 10.3% per annum.</p> | | |

| | |
|---|----------------|
| 8. Estimated cash available for future operating activities | \$A'000 |
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (13) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (8) |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (21) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 787 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 787 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 37.5 |
| <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 January 2021.....

Authorised by: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.