

Red Sky Energy Limited

Quarterly Report Ended

30 June 2018

SUMMARY OF ACTIVITIES

Highlights

- Red Sky has entered into a conditional sale and purchase agreement to acquire Beach Energy's interests in the Innamincka Dome oil & gas project ("Innamincka Dome Project"), comprising a 100% interest in five PRLs and a 75% interest in another PRL.
- The acquisition of the Innamincka Dome Project (which is subject to regulatory and joint venture approvals) offers:
 - near term analysis of production options from well-maintained shut in wells and infrastructure
 - strong growth outlook from non-producing proven fields and highly prospective tenements
- Capital raising is being conducted under mandate with Taylor Collison to raise up to \$2.2 million and re-development planning has commenced

Overview

In July 2018, Red Sky Energy Limited through its wholly owned subsidiary Red Sky (NT) Pty Ltd, entered into a binding Sale and Purchase Agreement (SPA) with Acer Energy Pty Ltd, a Beach Energy Ltd ("Beach", ASX: BPT) subsidiary to acquire that subsidiary's interests in the Innamincka Dome Project in the Cooper Basin, South Australia.

The Innamincka Dome Project comprises a portfolio of six highly prospective petroleum tenements (PRLs) near the township of Innamincka in northeast South Australia. Beach's interest in this portfolio comprises a 100% owned and operated stake in:

- PRL14 (Flax oil field which was previously producing);
- PRL17 (Yarrow gas field);
- PRL18 (Juniper oil field);
- PRL180;
- PRL181; and
- a 75% interest in PRL182 (held in joint venture with Bengal Energy (Australia) Pty Ltd).

The purchase of Beach's interest in the Innamincka Dome Project is inclusive of all existing production infrastructure, storage tanks, yards and camp facilities. This infrastructure is modern and in excellent operating condition, the project having been closed in 2015 due to the downturn in oil and gas markets. The Company will initiate "re-start" planning for the Innamincka Dome Project immediately with a focus on resuming oil and gas production as soon as possible following completion of the acquisition.

The acquisition will afford Red Sky with a significant opportunity to leverage the recovery from the oil price downturn by quickly returning quality shut-in assets to production at the Flax field, as well as delivering options to seek to:

- evaluate the unexploited Yarrow and Juniper fields; and
- evaluate the remaining highly prospective tenements within the Innamincka Dome Project.

Following completion of the acquisition, the Company will be responsible for discharging all obligations and liabilities arising in respect of the assets purchased, including all liabilities relating to decommissioning, abandonment, rehabilitation, remediation or restoration of those assets.

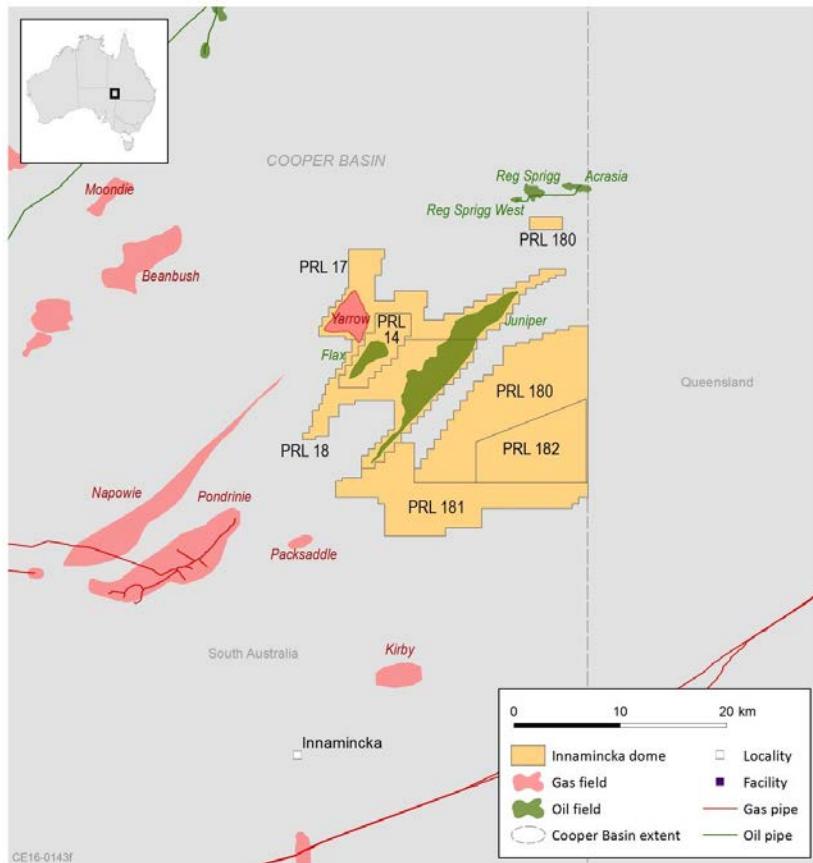
Capital Raising

In July 2018, the Company entered in to a capital raising mandate with Taylor Collison to raise up to \$2.2 million. The Capital Raising comprises a Share Placement to raise \$1.6 million (Placement) and a non-renounceable rights issue to raise \$600,000 (Rights Issue) and a variation thereto to modify the rights issue from a proposed underwriting to a best endeavours. The Placement and any shortfall from the Rights issue are to be led by Taylor Collison on a best endeavours basis. The Placement is to be conducted in two tranches, with the first tranche completed raising \$600,000 and the second tranche (\$1 million) being conditional upon completion of the acquisition. The Placement and Rights Issue will be undertaken at an issue price of \$0.004 (0.4 cents) per ordinary share. Subsequent to the end of the quarter the first tranche of the placement of \$600,000 has been completed.

Business Strategy

Following completion of the acquisition, the Company plans to recommence production from the shut in field using existing infrastructure. Information reviewed by the Company indicated that oil production at Flax was previously being carried out at a rate over 200 barrels of oil per day and the field has produced approximately 180,000 barrels of 54 API oil to date. The existing production facilities at the Flax field, which have been inspected by the Company, have a processing capacity of 1,000bopd and 2,400bbl storage capacity based on information reviewed by the Company.

The Company's intention is to put in place an experienced, fit for purpose in-country operational capability which will allow management of the Flax field and achieve sustainable production rates at low operating costs. The strategy is to expand production through re-development and low risk appraisal. Red Sky will also seek to acquire similar fields in the region at the right price to build economies of scale and apply technical and competitive advantages. The approximately 400 sqkm acquisition of the Innamincka Dome area provides an attractive entry for Red Sky into the Australian conventional onshore oil and gas market.



*Map of Innamincka Dome Project- Map 1
courtesy of Beach Energy*

Gold Nugget

During the quarter, work continued on the Gold Nugget gas project in Wyoming, USA. Gold Nugget is located in the Wind River Basin in Wyoming, one of the largest gas producing basins in the USA. Gold Nugget is a proven gas field with a discovery well (completed to 14,000ft in 2004), Well #1-23, that has historically produced 150 mcfpd of gas and 5 barrels of oil per day.

The field has proved difficult to produce due to over pressures encountered. The Company is considering its position in this asset given the intention to focus on the new acquisition in the Cooper basin and other opportunities in Australasia and South East Asia.

Corporate

Key Management Appointments

In July 2018, the Company appointed **Mr Andrew Knox** as its new CEO and Managing Director.

Mr Knox has over 35 years of experience in the upstream oil and gas sector. He has worked extensively throughout Australasia, South East Asia and North America with several entities.

He was formerly CFO of Cue Energy Resources Limited, a position he had held for 22 years. His prior role was CFO at Cultus Petroleum Limited.

Mr Knox has significant experience in financial and commercial activities, involving acquisitions, M&A and strategy. He has been a director of several public companies and is a chartered accountant (CA ANZ), public accountant (CPA Australia) and a fellow of the Australian Institute of Company Directors (FAICD). He holds a Bachelor of Commerce degree from the University of Western Australia.

In addition, subsequent to the end of the quarter, the Company appointed **Mr William (Bill) Lodwick** as its new Exploration and Development Manager, commencing with immediate effect.

Reporting directly to the CEO, Mr Lodwick will build and lead Red Sky's operational team whose first task will be to restart production at the recently acquired Cooper Basin Innamincka Dome project. In conjunction with this he will assess the project's so far unexploited oil and gas fields and tenements.

Mr Lodwick is a manager and geophysicist with over 35 years experience in the industry. He has managed exploration and production projects around the world including South East Asia and Australasia.

Mr Lodwick's previous experience includes exploration manager for an ASX listed company of onshore and offshore acreage in the Otway Basin. He was also Principal Geophysicist with an international consultancy where he managed projects in Thailand, Gabon, Philippines and Malaysia.

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.

COMPANY INFORMATION

RED SKY ENERGY LIMITED
ABN 94 099 116 275

COMPANY DIRECTORS

Guy Le Page: Non-Executive Chairman
Andrew Knox: Managing Director
Clinton Carey: Non-Executive Director
Adrien Wing: Non-Executive Director

COMPANY SECRETARY

Adrien Wing

REGISTERED OFFICE

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AUDITOR

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MELBOURNE VIC 3000

SECURITIES EXCHANGE LISTING

ASX: ROG

SHARE REGISTER

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NEDLANDS WA 6009
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+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Red Sky Energy Limited

ABN

94 099 116 275

Quarter ended (“current quarter”)

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation – including assessing potential projects	(58)	(87)
(b) development		
(c) production		
(d) staff costs – director fees	(27)	(54)
(e) administration and corporate costs	(43)	(92)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(129)	(235)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements		
(c) investments		

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – deposits refunded	22	22
2.6	Net cash from / (used in) investing activities	22	22
3. Cash flows from financing activities			
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible loans		50
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(11)	(28)
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	(11)	22
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1	Cash and cash equivalents at beginning of period	136	209
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(129)	(235)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	22	22
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(11)	22

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	18	18
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	18	136
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	18	136
6. Payments to directors of the entity and their associates	Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2	66	
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2		
Payment of director fees, consulting services and company secretarial fees.		
7. Payments to related entities of the entity and their associates	Current quarter \$A'000	
7.1 Aggregate amount of payments to these parties included in item 1.2		
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	
9.4 Staff costs	(85)
9.5 Administration and corporate costs	(70)
9.6 Other (provide details if material)	(320)
9.7 Total estimated cash outflows	(475)

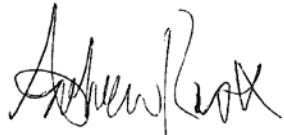
The Company will rely on its existing cash resources and future capital raising (either debt and/or equity), including its ability to place securities under LR7.1 and LR7.1A to funds its current activities.

In light of the above factors, the Company believes that it will have sufficient cash to fund its existing activities. The Company expects to have negative cashflows from operations of approximately \$97,000 for the forthcoming quarter. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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.



Sign here:
(Director)

Date: ...30/7/18.....

Print name:Andrew Knox.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

Red Sky Energy Limited
Exploration Interests
As at 30 June 2018

Location	Permit	Nature of Interest	Extent of Interest
Gold Nugget Gas Field, Fremont County, Wyoming, USA	Oil and Gas Lease WYW-132526 comprising 320 acres	Lease 70% interest with an entitlement to 50% of profits from GN 1-23 until final payment of the further US\$240,000 cash component of the purchase price.	The vendors 30% retained interest will be transferred to Red Sky upon the remaining payment of US\$240,000 to be satisfied from profits of the well.

Changes during the Quarter

No changes occurred during the quarter.