

Red Sky Energy Limited
Quarterly Report Ended
30 September 2019

SUMMARY OF ACTIVITIES

Highlights

- Red Sky Energy's subsidiary Red Sky Energy (NT) Pty Ltd entered into a Farmout Agreement with Santos Ltd (ASX: STO) subsidiary Santos QNT Pty Ltd in relation to Red Sky's Cooper Basin Petroleum Retention Licences 14, 17, 18, 180, 181 and 182 which will inject A\$9m in capital into Red Sky's Innamincka Dome projects.
- During the quarter a new separator for the Gold Nugget field was commissioned.

Innamincka Dome

On 20 May 2019, the Company completed the full acquisition of four Cooper Basin oil and gas projects known collectively as The Innamincka Dome Projects. The Projects are summarised as follows:

1. Flax - Oil and gas project that contains a 2C contingent resource of 9.9m barrels of oil and 24 BCF of natural gas. There is in-place infrastructure and six production wells which have produced around 180k barrels of oil since 2008. In 2015 production was suspended due to low Australian dollar oil prices.
2. Yarrow - Gas project containing a 2C contingent resource of 20 BCF of natural gas.
3. Juniper - Large oil and gas target with modest existing 2C contingent resources and significant exploration potential.
4. PRLs 180/181/182 – Potentially large oil and gas areas requiring significant further evaluation.

Strategic Review

The Company announced on 17 June 2019 that it was undergoing a strategic review with a focus on scoping near-term cash flow projects with low capex designed to support exploration and further development activities on the larger projects. Options with respect to financing the larger projects were explored with consideration to self-funding or partner arrangements or a combination of the two.

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Financing

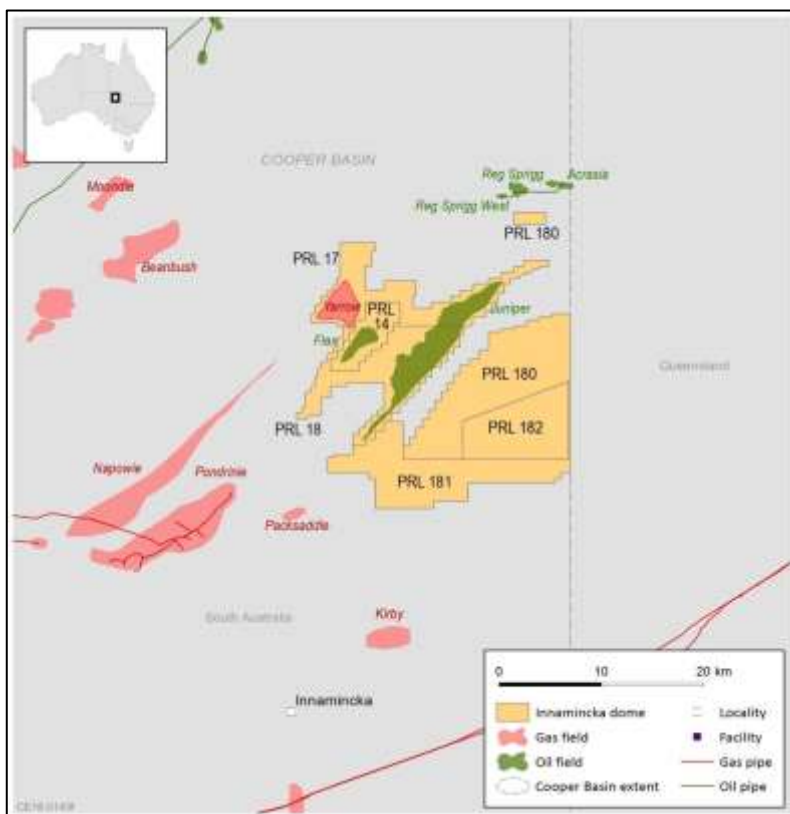
The Company explored various options over the past couple of months with respect to financing the remediation bond and capex attaching to the Company's Projects. The joint venture partnership entered into with Santos was chosen for the following key benefits to Red Sky shareholders:

- Relieves Red Sky of the Bond provision obligations with the SA Government of A\$5.0 million
- Santos is a well-capitalised partner with significant Cooper Basin technical and operational experience
- The Farm Out Agreement secures funding for targeted work programme commitments accelerating development in the project
- Santos to provide development financing
- Timing to take advantage of historically high AUD oil and gas pricing

Farm Out Agreement terms

The Farm Out Agreement provides for Santos to earn an 80% interest (and operatorship) in Red Sky's Cooper Basin licences collectively known as the Innamincka Dome. The terms provide for Santos to:

- Fund 100% of 50km² of 3D seismic over the Yarrow gas field in PRL17, up to a maximum gross cost of A\$1.0 million
- Fund 100% of an appraisal well in the Yarrow gas field up to a maximum gross cost of A\$3.0 million
- Fund 100% of an appraisal well in the Flax oil and gas field in PRL14, up to a maximum gross cost of A\$5.0million
- 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



Gold Nugget

The Gold Nugget #1-23 well was production tested for commerciality. The company is installing a new separator to enhance production. 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 single production well (completed to 14,000ft in 2004).



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The Company continues to actively review other opportunities in Australasia and South East Asia.

Capital Raisings

During the quarter the Company received firm commitments to raise A\$782,500 through a private placement from sophisticated and professional investors (the "Placement").

Placement

The Placement, comprised of the issue of 313,000,000 new shares (187,681,672 shares under LR7.1 and 125,318,328 shares under LR7.1A) at an issue price of A\$0.0025 (0.25 cents) per share.

The proceeds of the Placement will be used to continue with the development of its existing projects, working capital, cover the costs of the offer, and the assessment of new opportunities.

Unsecured Loans

Post the end of the quarter and post the receipt of security funds held by the vendor for the Innamincka project, the Company repaid unsecured loans of \$585,000 from directors which were provided to assist with the security funding for the Innamincka Dome project and working capital.

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

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

COMPANY SECRETARIES

Adrien Wing
Pauline Moffatt

REGISTERED OFFICE

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AUDITOR

RSM Australia
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MELBOURNE VIC 3000

SECURITIES EXCHANGE LISTING

ASX: ROG

SHARE REGISTER

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110 Stirling Highway
NEDLANDS WA 6009
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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 September 2019

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 projects	(40)	(148)
(b) development		
(c) production		
(d) staff costs (not included above)		(14)
(e) administration and corporate costs	(50)	(172)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(11)	(36)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other		
1.9 Net cash from / (used in) operating activities	(101)	(370)

2. Cash flows from investing activities

- 2.1 Payments to acquire:
- (a) property, plant and equipment
 - (b) tenements
 - (c) investments

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 – licence security deposit paid		(800)
	- licence security deposit refunded	525	525
2.6	Net cash from / (used in) investing activities	525	(275)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	783	1,125
3.2	Proceeds from issue of convertible loans		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		(37)
3.5	Proceeds from borrowings		1,550
3.6	Repayment of borrowings	(8)	(817)
3.7	Transaction costs related to loans and borrowings		(32)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	775	1,789

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	36	91
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(101)	(370)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	525	(275)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	775	1,789

Mining exploration entity and oil and gas exploration entity quarterly 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	1,235	1,235

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	1,235	36
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)	1,235	36

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter
\$A'000

Nil.

7. Payments to related entities of the entity and their associates

- 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

Current quarter
\$A'000

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Mining exploration entity and oil and gas exploration entity quarterly report

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	860	860
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.		

Loans of \$830,000 are present from the Managing Director, Mr Andrew Knox. These loans are unsecured and accrue interest at a rate of 10% per annum. An amount of \$555,000 was repaid on this loan on 2 October 2019.

A loan of \$30,000 is present from a Director, Mr Adrien Wing. This loan is unsecured and accrues interest at a rate of 10% per annum. This loan was repaid in full on 2 October 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(30)
9.2 Development	(38)
9.3 Production	
9.4 Staff costs	(120)
9.5 Administration and corporate costs	(170)
9.6 Other – loan repayment/interest	(630)
9.7 Total estimated cash outflows	(988)

The Company will rely on its existing cash resources and future capital raising (either debt and/or equity), to fund 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 988,000 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	PRL14,17, 18,180,181 and 182	Working	100%	20%
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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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: ...23 October 2019.....

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 September 2019

Permits

Location	Permits	Nature of Interest	Extent of Interest
Innamincka, northeast South Australia	PRL14 PRL17 PRL18 PRL180 PRL181 PRL182	20% (see changes during the quarter below)	Interests held by Red Sky (NT) Pty Ltd, a wholly owned subsidiary of Red Sky Energy Limited.
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\$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.

Changes during the Quarter

On 11 September 2019, the Company announced to the ASX a Farmout Agreement with Santos QNT Pty Ltd, a subsidiary of Santos Ltd (ASX: STO), for its Innamincka Dome licences PRL's 14, 17, 18, 180, 181 and 182. The Agreement provides Santos Ltd an 80% interest (and operatorship).

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