For personal use only

Red Sky Energy Limited

Quarterly Report Ended

30 September 2020

SUMMARY OF ACTIVITIES

Highlights

- **Planning started for gas well at Innamincka.**
- **Workover planned for Gold Nugget**

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) is being reprocessed.

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

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:

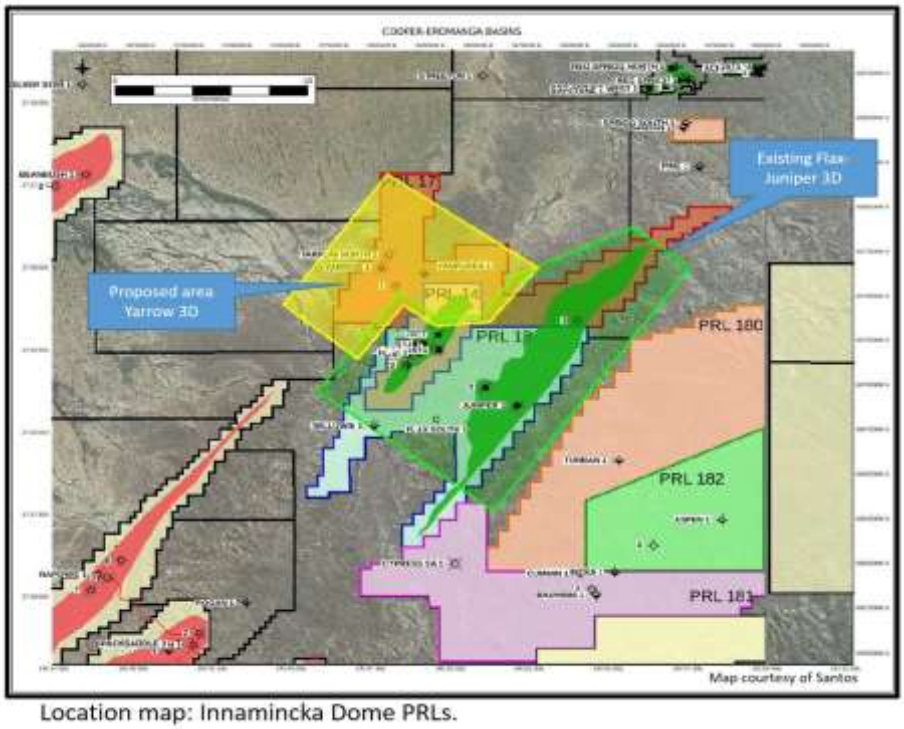
- Fund 100% of 50km2 of 3D seismic over the existing Yarrow gas field in PRL 17, up to a maximum cost of A$1.0 million.

- 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.

For personal use only



Location map: Innamincka Dome PRLs.

Gold Nugget Gas Field

Gold Nugget continued to produce intermittently as expected during the quarter. Analysis has led us to the conclusion that in order to maximise production a well intervention is needed. We are currently seeking bids to re-enter the well and perforate above the waterline. Subject to contractor availability, we are driving to have the work completed by the end of November. If the intervention is successful, the well should produce gas through the winter when the pipeline has previously been frozen by excess water in the system.

Corporate

In July 2020, the Company completed a placement of 400,000,000 fully paid ordinary shares in the Company (New Shares) at an issue price of 0.1 cents ($0.001) to raise $400,000 (before costs). The Placement was undertaken within the Company's placement capacity under ASX Listing Rule 7.1 (236,381,672 shares) and 7.1A (163,618,328 shares).

In addition, the Company is actively discussing the appointment of a further executive to the management team.

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

COVID Update

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

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

For personal use only

Andrew Knox, Managing Director

"Red Sky continues to navigate the challenges presented throughout the last six months and has made solid strategic headway in terms of positioning the company for growth.

The Company has responded swiftly to adapt the business to the current environment, and we have maintained a firm focus on cost discipline, successfully reducing G&A expenses. We continue to aggressively pursue business development opportunities in line with our stated growth strategy and believe we are well placed to capitalise on the opportunities that have presented themselves as a result of the current market dynamics. The Company expects to see increased operational activity during the current quarter pending the completion of an acquisition.

Once again the Company thanks shareholders for their continued patience and ongoing 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.

COMPANY INFORMATION
RED SKY ENERGY LIMITED
ABN 94 099 116 275

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

COMPANY SECRETARIES
Adrien Wing
Pauline Moffatt

REGISTERED OFFICE
Level 2, 480 Collins Street
MELBOURNE VIC 3000
Phone: +613 9614 0600
Fax: +613 9614 0550
Email: admin@redskyenergy.com.au
Web: www.redskyenergy.com.au

AUDITOR
RSM Australia
Level 21, 55 Collins Street
MELBOURNE VIC 3000

SECURITIES EXCHANGE LISTING
ASX: ROG

SHARE REGISTER
Advanced Share Registry
110 Stirling Highway
NEDLANDS WA 6009
Telephone: +618 9389 8033
Web: www.advancedshare.com.au

Appendix 5B

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

For personal use only

Name of entity

RED SKY ENERGY LIMITED

ABN	Quarter ended ("current quarter")
99 099 116 275	30 SEPTEMBER 2020

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	(55)	(154)
	(b) development		
	(c) production		
	(d) staff costs (not included above)	(93)	(141)
	(e) administration and corporate costs	(111)	(134)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	(3)	(5)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	41	65
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(221)**	**(369)**

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	(2)	(8)
	(e) investments		
	(f) other non-current assets		

For personal use only

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 (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(2)**	**(8)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	400	400
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)	(9)
3.5	Proceeds from borrowings		119
3.6	Repayment of borrowings	(110)	(158)
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**	**281**	**352**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	36	119
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(221)	(369)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	281	352

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**	**94**	**94**

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	94	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)**	**94**	**36**

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	114
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payments in 6.1 relate to Director fees and Company Secretary services.

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.

For personal use only

7.	**Financing facilities** *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.*	**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 (please specify)		
7.4	**Total financing facilities**	284	284

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.

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(221)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(223)
8.4	Cash and cash equivalents at quarter end (item 4.6)	94
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	94
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	0.42

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.

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: No. Cash outflows from operating and exploration activities was high in the September quarter as the Company paid creditors from previous quarters. The Company expects to have negative cash flows from operations of approximately $150k for the forthcoming quarter.

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: 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. The Company has a history of raising funds as required and believes further successful fundraising will be able to be completed.

For personal use only

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:	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 cash flows from operations of approximately $150k 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.

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 October 2020.....

Authorised by: ..By the Board……..

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.

For personal use only