

ASX and Media Announcement

6 November 2020

Purchase of SA Killanoola Oilfield from Beach and Capital Raise

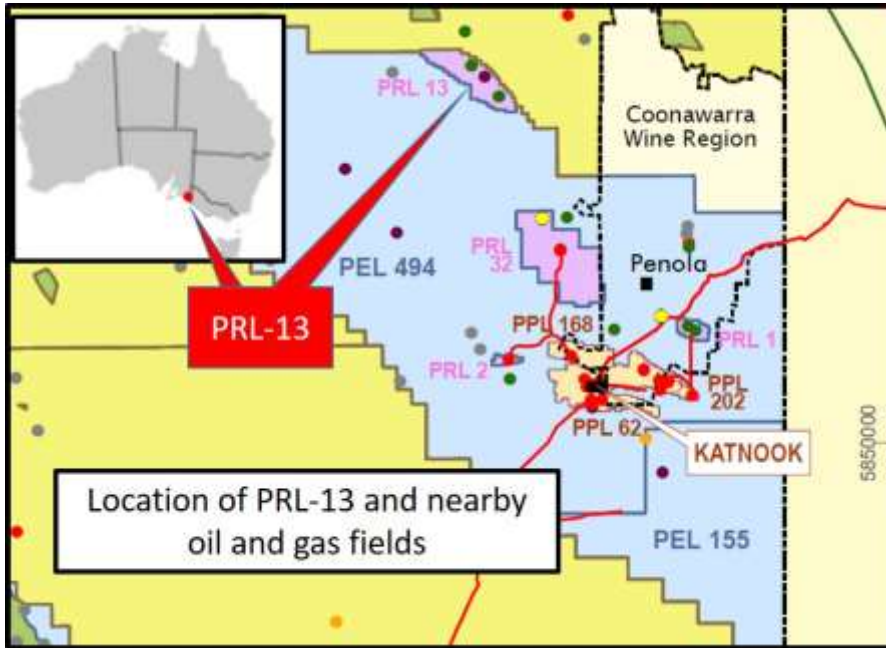
Highlights

- **Red Sky** enters a conditional sale and purchase agreement to acquire Beach Energy's interests in the Killanoola oil project ("**Killanoola**"), comprising a 100% interest in PRL 13.
- The acquisition (which is subject to regulatory approvals) offers:
 - a prime Penola trough address
 - near term production options from well-maintained shut in well and infrastructure
 - strong outlook for significant reserves growth from non-producing areas and highly prospective tenement acreage
- Red Sky to undertake one for one non-renounceable rights issue to raise approximately \$4 million
- Proceeds to underpin the re-development planning of the SA Killanoola Oilfield project which are to commence immediately.

Sales and Purchase Agreement (SPA)

Red Sky Energy Limited ("**Red Sky**" or "**the Company**", ASX: **ROG**) is pleased to advise that it, through its wholly owned subsidiary Red Sky (Killanoola) Pty Ltd, has entered into a binding Sale and Purchase Agreement (**SPA**) with Beach Energy Ltd ("**Beach**", ASX: **BPT**) subsidiary to acquire that subsidiary's interest for 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 southeastern 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.

A summary of the key terms of the SPA are set out in Annexure A.



Background

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. There is no expectation of commercial quantities of gas at this time. 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.

Following completion of the acquisition, the Company will initiate “re-start” planning for the Killanoola 1 well immediately with a focus on resuming 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-Southeast1 and complete a field development plan (FDP). The FDP will guide development of the entire field.

The acquisition 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 at the Killanoola field, 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.

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.

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

"The Killanoola oil field provides clear near-term production for Red Sky. It fits well with our strategy of acquiring near term producing assets with upside potential for reserve growth in one of Australia's well known onshore areas, the Penola trough. Red Sky has been actively reviewing conventional production opportunities and the current round of divestment activity in the Australian oil and gas sector has created this exciting opportunity for us".

Capital Raising

The Company has resolved to initiate a Capital Raising to raise approximately \$4 million (**Capital Raising**). The Capital Raising will comprise of a non-renounceable rights issue to raise approximately \$4 million (**Rights Issue**). The Rights Issue will be offered to existing shareholders on the basis of one (1) new share for every one (1) existing share held at the Record Date (timetable yet to be established) at an issue price of \$0.02 (0.2 cents) per ordinary share.

Details of the Rights Issue

The Company will undertake a non-renounceable pro-rata entitlement offer 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. If fully subscribed, the Rights Issue will raise approximately \$4,000,000 before associated costs.

The Rights Issue will be offered to those holders of Red Sky shares who are registered as a holder of shares at the Record Date and is proposed to be offered to those shareholders who have a registered address in Australia and New Zealand (Eligible Shareholders).

These Eligible Shareholders will be entitled to subscribe for additional shares in any shortfall in the Rights Issue.

The Company proposes to despatch a Rights Issue Booklet together with a personalised entitlement and application form to eligible shareholders mid November 2020

Indicatively, the funds raised under the Capital Raising will be allocated towards securing the license, the re-development of the Killanoola field, 3D seismic (subject to completion occurring), the Company's existing Gold Nugget Gas project, working capital and the costs of the Capital Raising.

About Red Sky Energy Limited

Red Sky Energy is an Australian incorporated public company based in Melbourne, Australia and listed on the Australian Securities Exchange.

The Company's principal activities are the exploration for and production of hydrocarbons.

Current assets include 20% working interest in the Innamincka Dome oil and gas fields in the Cooper basin, South Australia and 100% working interest in the Gold Nugget gas production in Wyoming, USA. In addition, Red Sky is currently active in seeking to acquire near field development assets onshore and offshore Australasia and South East Asia.

Any queries regarding this announcement should be directed to the Company on +613 96140600 or e-mail: admin@redskyenergy.com.au.

End

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ANNEXURE A

Summary of key terms of the SPA

The transaction the subject of the sale and purchase agreement (**SPA**) involves the following elements:

- Red Sky will acquire a 100% interest in PRL13, together with all production infrastructure associated with that interest;
- Only nominal consideration of \$1 is payable by Red Sky for the assets to be acquired under the SPA. However, Red Sky will be responsible for discharging all obligations arising in respect of the assets purchased as from completion of the transaction, including all liabilities relating to the decommissioning, abandonment, rehabilitation, remediation or restoration of those assets.
- Completion of the acquisition is subject to the satisfaction of certain conditions including regulatory approvals.
- Where ministerial consent is required for a dealing effected on completion of the acquisition, the parties have agreed to seek that consent in a timely manner post completion. Where ministerial consent is required but not obtained, or not obtained by the sunset date, unless a suitable alternative agreement can be reached, the sale and transfer contemplated under the SPA will not be completed.
- The SPA will be terminated if not all the conditions precedent are satisfied and/or waived within 120 days of the date of the SPA. The SPA may also be terminated if either party fails to perform any of their obligations under the SPA and fails to remedy such failure within 7 days of notice from the other party (or such longer time as the non-defaulting party determines).
- The obligations of Red Sky (Killanoola) Pty Ltd under the SPA are to be guaranteed by Red Sky.
- The SPA otherwise contains terms typical of arrangements of this nature, including the imposition of obligations of confidentiality on the parties, warranties from each party and provisions for the limitation of liability.