

MAIDEN RESERVES AND RESOURCES STATEMENT KILLANoola OIL FIELD; PRL 13, SOUTH AUSTRALIA

Red Sky Killanoola Pty Ltd (RSK), a wholly owned subsidiary of Red Sky Energy Limited (ASX: ROG) is pleased to provide the following Reserves and Resources Statement for the Killanoola Oil Field. A supporting report by MPA (MABELLS Petroleum Advisors) entitled "Killanoola Oil Field: Reserves and Resources" is included as Annexure 1.

ROG has entered into a sale and purchase agreement to acquire Petroleum Retention Licence 13 (PRL 13) from Beach Energy (ASX:BPT). The field is located in the Penola Trough, Otway Basin, South Australia. It contains the Killanoola Oilfield discovered in 1998. This report addresses only conventional oil and gas reserves and resources.

RESERVES

Quantities of petroleum are not considered reserves until they meet four main criteria. Discovered, Recoverable, Commercial and Remaining. Killanoola oil cannot be classed as commercial because the sale has not been completed and because the work by ROG to confirm reserves cannot be finished until after the acquisition is complete.

The Company notes, as has been pointed out by some of our shareholders, that previous ASX listed operators have reported on reserves and resources regarding the Killanoola Field. We cannot simply claim these reserves and must complete our independent work and meet the full reserves criteria. Announcements by companies previously holding interests in PRL 13 are publicly available on the internet.

Previous ASX-listed operators who have released announcement related to reserves for Killanoola of which we are currently aware are:

- Rawson Resources (ASX: RAW)
- Essential Petroleum Resources (ASX: EPR)

CONTINGENT RESOURCES

Estimated contingent resources (recoverable) for the Killanoola field are:

1C = 0.8 million barrels
2C = 2.8 million barrels
3C = 5.4 million barrels

See Annexure 1 for details.

PROSPECTIVE RESOURCES

No prospective resources have been evaluated by ROG at this time.

UNCONVENTIONAL PROSPECTIVITY

No evaluation of unconventional prospectivity has been undertaken by ROG at this time.

The Resources assessment follows guidelines set forth by the Society of Petroleum Engineers – Petroleum Resource Management System (SPE-PRMS). The Resource estimates used in these reports were compiled by Mr Serge Toulekima (Member SPE), MABELLS Petroleum Advisors, who is a qualified person as defined under the ASX Listing Rule 5.11 and has consented to the use of Resource figures in the form and context in which they appear in this report.

Released with the authority of the Board.

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.

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Annexure 1

Killanoola Oil Field: Reserves and Resources

RESERVES AND RESOURCES

Australia 1 July 2020	Red Sky Energy Equity Share					
	Gas/Associated Gas (Recoverable, bcf)			Oil/Condensate (Recoverable, mmbbl)		
Reserves	1P	2P	3P	1P	2P	3P
Killanoola						
Contingent Resources	1C	2C	3C	1C	2C	3C
Killanoola				0.8068	2.8001	5.4628
Prospective Resources	1U	2U	3U	1U	2U	3U
Killanoola						

Notes:

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied (SPE Petroleum Resources Management System).

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be subclassified based on project maturity and/or economic status (SPE Petroleum Resources Management System).

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development,

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and may be sub-classified based on project maturity (SPE Petroleum Resources Management System).

RESOURCES ESTIMATION METHODOLOGY

The Killanoola oil field is located within South Australian Petroleum Retention Licence 13 (PRL-13). We have used the deterministic scenario method to calculate low, best and high estimates. The cumulative terms low, best and high estimates were then used to calculate 1C, 2C and 3C respectively. The full range of key input values are summarised in the table below:

	Low Estimate	Best Estimate	High Estimate
Maximum oil rate	150 bopd per well	300 bopd per well	300 bopd per well
Time on plateau	2 years	3 years	3 years
Number of producers	2	3	6

The current resources at Killanoola are classified as Contingent Resources based on the guidelines issued in the Petroleum Resources Management System by the Society of Petroleum Engineers. These resources are anticipated to be reclassified as Reserves in the near future as firm plans to restart production at Killanoola are finalized, and the financial arrangements to cover the cost of the upcoming work are firmly put in place. A Sale and Purchase Agreement with future crude offtakers must also be agreed and signed.

We have generated low, best and high estimates Contingent Resources based on data compiled in the data room:

- 1) An assessment of reservoir studies work done by previous operators;
- 2) Production test results from the wells Killanoola-1 DW-1 and Killannola SE-1.

Using known flow data observed during the production tests on two wells, we have applied a decline rate, comparable to declines observed in the region from other fields, to generate future production performance. We have used the year 2040 or 10 bopd, whichever happens first, to cut off the production forecast. Furthermore, the two production tests carried out at Killanoola have demonstrated that the crude is waxy and maintaining a stable oil rate is challenging if mitigation measures to treat the wax are not considered. The operator, Red Sky Energy, has contacted a well-established Canadian company to implement the use of skin-effect electrical heat tracing system inside the production tubing. This system can be retrofitted to existing wells. It involves a sealed coil tubing, with an internal cable and filled with di-electric oil, that is insert inside the production tubing to heat it up. This is a mature technology that has been successfully used in oil fields throughout North America to mitigate flow assurance problems caused by waxy crudes. Therefore, the system has a high probability of success, and the operator is fully committed to its application at Killanoola.

Low Estimate Contingent Resources:

- The electrical heating system is installed and working
- 1 producer: Killanoola-1 Dw-1 well is retrofitted with a downhole electrical heating system
- 1 producer: Killannola SE-1 well is retrofitted with a downhole electrical heating system
- The maximum oil rate from each well is 150 bopd, which is in line with the test results
- The production plateau lasts for 2 years, then the wells experience a decline

Best Estimate Contingent Resources:

- The electrical heating system is installed and working
- 2 producers targeting the Killanoola-1 block
- 1 producer targeting the Killanoola SE block
- The maximum oil rate from each well is 300 bopd, assuming a new completion is installed
- The production plateau lasts for 3 years, then the wells experience a decline

High Estimate Contingent Resources:

- The electrical heating system is installed and working
- 3 producers targeting the Killanoola-1 block
- 2 producers targeting the Killanoola SE block
- 1 producer targeting the Killanoola South block
- The maximum oil rate from each well is 300 bopd, assuming a new completion is installed
- The production plateau lasts for 3 years, then the wells experience a decline

COMPETENT PERSONS STATEMENT: QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATOR

Pursuant to the requirements of the ASX Listing Rules Chapter 5, the technical information, reserve and resource reporting provided in this document are based on and fairly represent information and supporting documentation that has been prepared and compiled by Mr Serge Toulekima, Managing Director of MABELLS Petroleum Advisors. Mr Toulekima holds a Master of Science in Petroleum Engineering from Texas A&M University and has 25 years' experience in exploration, appraisal and development of oil and gas resources. Mr Toulekima has worked for various major oil companies internationally and here in Australia where he acted as reserves coordinator, field development planning coordinator and production tests evaluator. Mr Toulekima consents to the release of this report and to the inclusion of the matters based on the information in the form and context in which it appears. Mr Toulekima is a lifetime member of the Society of Petroleum Engineers (SPE).