

Innamincka - Yarrow 3 Moves to Production

HIGHLIGHTS

- Agreement to proceed with pipeline connection into the Santos grid
- Red Sky to receive production revenue from Q3 2023
- Promising results for Yarrow 3 supports connection decision
- Tie in of future wells expected
- Preliminary analysis of pressure data indicates connected volume >1.7 BCF
- Peak rate of approximately 5MMscfd through a 36/64" choke with tubing head pressure of 780psi
- Indications of potential for deep coal measures in the north of Yarrow

Red Sky Energy (ASX:ROG) (Red Sky or the Company) is pleased to advise that the activity by Santos Limited (ASX:STO) (Santos) at Yarrow 3 Well has been completed with an agreement reached to proceed with the construction of a pipeline of approximately 18km to tie into the grid to the south of the Yarrow gas field.

This construction activity will bring Yarrow 3 flowline on earlier (2H CY23) with ability to leverage the current gas market prices and allow Red Sky to receive production revenue from first gas in Q3 2023 subject to reviews and a metering agreement between the parties.

Commenting on the Yarrow 3 Connection Decision, Red Sky Managing Director, Andrew Knox, said:

"We are extremely pleased with the results of the analysis of the pressure data from the Yarrow 3 production test which indicates significant connected gas volume and no obvious depletion. These results allow us to confidently reach an agreement with Santos to enable the construction of the long awaited pipeline into the Santos grid.

With this work being accelerated, we are expecting to see revenue from first gas in Q3 2023 and we look forward to providing further updates on Yarrow 1 which is proposed to be re-entered and tested."

It has additionally been noted that deep coal measures exist in the north of the permit which are a target elsewhere in the basin and are a potential source of gas at a deeper level"

Preliminary analysis of pressure data indicates connected volume >1.7 BCF (EUR 1.3 BCF) with some residual water production. Peak rate of approximately 5MMscfd through a 36/64" choke with tubing head pressure of 780psi.

Memory Production Logging Tool (MPLT) was completed and this confirmed the flow was in line with initial data from the fracc with 85% from the Patchawarra formation and 15% from the Tirrawarra sandstone.

Post receipt of this analysis, Santos' Cooper Basin based team recommended proceeding with the 18km pipeline connection in parallel with a proposal to re-enter Yarrow 1 and test the well with the view to also moving it to production and eventually tie in to the same pipeline.

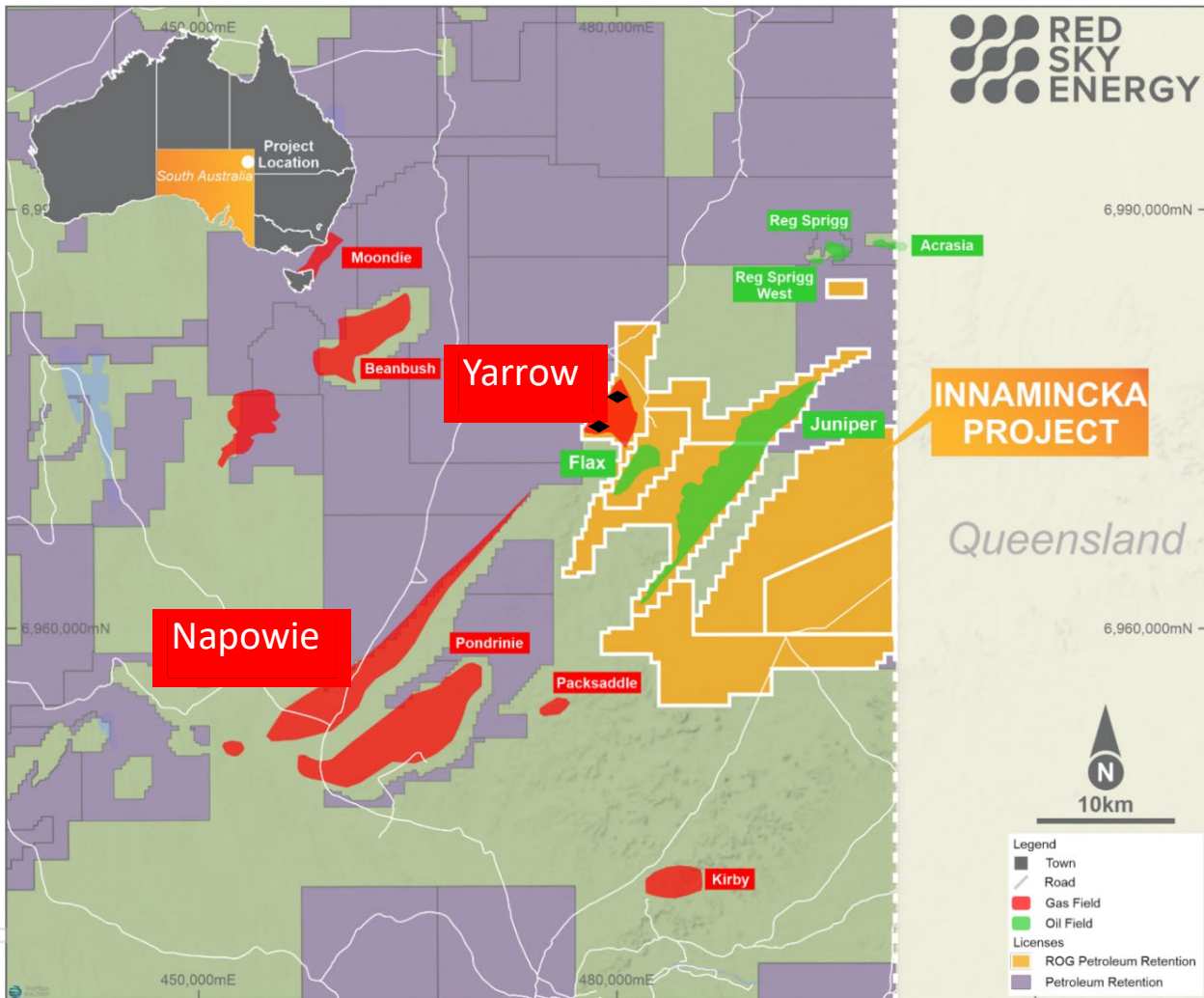


Figure 1 Innamincka Dome Projects location map with Yarrow and Napowie highlighted

Santos has sought support, subject to JV amendment and Red Sky has agreed, to suspend any drilling at the Flax oil horizontal opportunity as per the Joint Venture farm-in agreement and substitute with an investment in the Yarrow 3 flowline to the equivalent value of A\$5m.

Red Sky holds 20% working interest in six PRLs (14, 17, 18, 180, 181, 182) at the Innamincka Dome in the Cooper Basin.

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Released with the authority of the board.

For further information on the Company and our projects, please visit: www.redskyenergy.com.au

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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.