

SA GOVERNMENT APPROVAL RECEIVED TO COMMENCE PRODUCTION AT KILLANoola DW1 SOUTH AUSTRALIA – REVISED

Australian Oil and Gas explorer and developer, Red Sky Energy (ROG: ASX) (Red Sky or the Company) wishes to provide further clarification on its recent ASX Release from 13 November 2023 to fulfil the requirements for ASX Listing Rule 5.25.3.

Please find a revised copy of the release attached overleaf.

Released with the authority of the board.

For further information on the Company and our projects, please visit: [redskyenergy.com.au](https://www.redskyenergy.com.au)

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HIGHLIGHTS

- **SA DEM approval received to commence production at Killanoola DW1**
- **Activity to begin immediately with contractors to be mobilised to site**
- **Sale agreement signed for all crude produced**
- **Benchmarked against dated Brent for pricing**

Australian Oil and Gas explorer and developer, Red Sky Energy (ROG: ASX) (**Red Sky** or the **Company**) is pleased to advise that it has received approval from the Government of South Australia (**SA**) Department for Energy and Mining (**DEM**) to commence production from the existing pay zone at the DW1 well within the Killanoola Oil Project (**Killanoola**) located in the Penola Trough, South Australia.

Red Sky Managing Director, Andrew Knox, commented:

"The Red Sky team is pleased to have received government approval to commence production at DW-1. We continue to push to extract full value from the resources at Killanoola as soon as possible."

In August, Red Sky announced the signing of an agreement with Viva Energy Australia Pty Ltd (ASX:VEA) (**Viva Energy**) to purchase all crude produced from the Killanoola oil field project subject to specifications. All crude produced and sold will be subject to required quality specifications. Delivery will be made into Viva Energy's Geelong refinery by road tanker approximately four hours to the southeast of the Killanoola Project. The crude will be benchmarked against dated Brent for pricing.

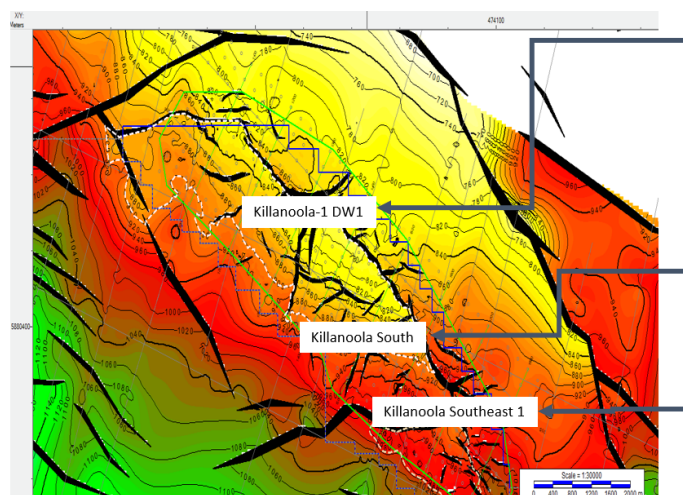
Background

The Killanoola oil field Independent Competent Person's Report (CPR) on the discovered Petroleum Initially In Place (PIIP) was updated following the acquisition of 3D seismic data. In an ASX Announcement on 5 May 2022, it was released to the market that an Independent Competent Person's Report on the Discovered Petroleum Initially In Place (PIIP) in the Killanoola Oil Project had been carried out by Global Resources & Infrastructure Pty Ltd. The newly estimated Discovered PIIP values took into account the additional net pay identified in the wells Killanoola SE-1 and Killanoola-1 DW-1.

On 21 April 2023, the Company made an announcement stating that the analysis of the recently acquired 3D seismic data led to modifications in the dimensions of the structural compartments. Following this, an Independent Competent Person's Report was published, which updated the estimated amount of Discovered Petroleum Initially In Place (PIIP) for Killanoola potentially up to 135.5 mmbbls from its earlier value of 93.0 mmbbls. The details of the Killanoola oil field PIIP can be found in Table 1 provided below.

Table 1: Summary Discovered Petroleum Initially In Place (PIIP) Killanoola Oil Field

Killanoola Oil Field	Discovered Petroleum Initially In Place (mmbbls)		
	Low	Best	High
9 April 2021	2.0	7.0	13.8
31 March 2022	57.2	93.0	98.6
19 April 2023	28.9	135.5	157.4


Figure 1: Top Sawpit Sandstone Depth Structure Map
Killanoola-1 Block

- Killanoola-1 DW1: can be brought back into production quickly
- Red Sky plans to use a proven additive for flow assurance
- New pay zones identified by petrophysical interpretation
- Improved flow rates are expected from the well once the new pay zones are perforated

Killanoola South Block

- Killanoola South block is untested and has the same geological setting as Killanoola-1 DW1 and SE-1
- Red Sky proposes to drill this prospect

Killanoola Southeast Block

- Killanoola SE-1 well discovered oil in 2011 and is suspended awaiting commercial testing

Table 2: PRL-13 Oil and Gas Contingency Resources, Net ROG Volumes

Permit	Field	Oil/condensate			Gas		
		1C	2C	3C	1C	2C	3C
		mmbbl	mmbbl	mmbbl	bcf	bcf	bcf
9 April 2021	Killanoola	0.8	2.8	5.5	0.0	0.0	0.0
31 March 2022	Killanoola	17.2	27.9	29.6	0.0	0.0	0.0
% Increase		2050%	896%	438%	0%	0%	0%

In December 2021 a successful fluid sampling operation was carried out at Killanoola-1 DW-1. Subsequent laboratory tests have indicated that the Killanoola crude has a maximum pour point of 36 degrees Celsius, which is indicative of a highly waxy crude. To account for the risk of the presence of high paraffinic content in the reservoir on the oil recovery, Red Sky revised the recovery factor downward from 40% to 30%. A summary of the previous (9 April 2021) and updated (to 31 March 2022) values is given in Table 2 above.

References

- a) [22 March 2021](#) ROG ASX and Media Announcement: NET PAY OF 16 METRES AT KILLANoola OIL PROJECT, SOUTH AUSTRALIA.
- b) [9 April 2021](#) ROG ASX and Media Announcement: RED SKY ENERGY SUMMARY OF POTENTIAL CURRENT RESOURCES.
- c) [6 May 2021](#) ROG ASX and Media Announcement: ADDITIONAL NET PAY OF 37 METRES AT KILLANoola - 1DW-1.

-ENDS-

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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.

Notes**Certificate of Qualification for Contingent Resource Estimate**

Mr Serge Toulekima is a Petroleum Engineer by training with over 20 years of industry experience. He has working experience in Africa, Europe, South-East Asia and Australia. Mr Toulekima is a lifetime member of the Society of Petroleum Engineers, and he attended Texas A&M University where he earned a Master of Science degree in Petroleum Engineering. His experience in the oil and gas industry includes field development planning, enhanced oil recovery projects, LNG projects, coordination of reserves accounting and reporting with the Shell Group, Santos Limited and Chevron Australia. He joined Red Sky in 2021.

Contingent Resources

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).

Methodology for Calculating discovered Petroleum Initially In Place

At its current stage of development, the Killanoola Oil project, in accordance with definitions established by the PRMS (2018), contains oil in the discovered Petroleum Initially In Place (PIIP) category. No greater levels of certainty have yet been established.

The discovered Petroleum Initially In Place is estimated deterministically by:

1. Extrapolating and analysing the estimated area and thickness of the structure. The boundaries to defining this volume are determined by the interpretation of the physical parameters of the top of the Sawpit Sandstone utilising seismic data,
2. Identifying the oil-water contact (OWC) identified in the wells drilled on the structure,
3. Estimating the net thickness of the oil column
4. Applying a porosity factor to obtain the potential total void space contained in that rock volume
5. Applying a generalised water saturation to the rock void volume.
6. The remaining porosity volume is then assumed to contain oil, which is then converted to barrels for ease of understanding.

Finally, to remain compliant with PRMS (2018) requirements and as a result of using the deterministic method, GRI used the Low/Best/High nomenclature to represent the discovered PIIP. These estimates were developed using various changes to the size of the structural compartments as interpreted.

Formula for Calculating PIIP

For undersaturated crude, the reservoir contains only connate water and oil with their respective solution gas contents. The initial or original oil in place can be estimated from the volumetric equation:

$$N = 7,758 V_b \phi S_{oi} B_{oi} = 7,758 A h \phi (1 - S_{wi}) B_{oi}$$

- The constant 7,758 is the number of barrels in each acre-ft,
- V_b is bulk volume in acre-ft,
- ϕ is the porosity (ϕV_b is pore volume),
- S_{oi} is the initial oil saturation,
- B_{oi} is the initial oil formation volume factor in reservoir barrels per stock tank barrel,
- A is area in Acres,
- h is reservoir thickness in ft, and
- S_{wi} is the initial water saturation.

In addition to the uncertainty in determining the initial water saturation, the primary difficulty encountered in using the volumetric equation is assigning the appropriate porosity-feet, particularly in thick reservoirs with numerous non-productive intervals. One method is to prepare contour maps of porosity-feet that are then used to obtain areal extent. Another method is to prepare isopach maps of thickness and porosity from which average values of each can be obtained. Since recovery of the initial oil can only occur from permeable zones, a permeability cut-off determined by ResEval was used to obtain the net reservoir thickness. Intervals with permeabilities lower than the cut-off value are assumed to be non-productive. The absolute value of the cut-off will depend on the average or maximum permeability and can depend on the relationship between permeability and water saturation.

A correlation between porosity and permeability is often used to determine a porosity cut-off. In cases in which reservoir cores have been analysed, the net pay can be obtained directly from the permeability data. This was not the case at any of the Killanoola wells as no cores were cut. When only logs are available, permeability will not be known; therefore, a porosity cut-off is used to select net pay. These procedures can be acceptable when a definite relationship exists between porosity and permeability.