

Farmin Agreement Secures Funding for High-Impact KN2 Drilling at Killanoola

HIGHLIGHTS

Killanoola

- Red Sky has executed a Farmin Agreement with Condor Energy and associates to drill the KN2 well at the Killanoola Oil Project (PRL 13)
- Farminees will earn a collective 45% interest in the KN2 Well by funding 75% of the drilling and completion
- Red Sky retains 55% of the well and a 100% of the rest of the licence and operatorship of the well and the licence
- KN2 is a vertical well targeting a new zone defined by 3D seismic interpretation
- The same rig will be used back-to-back for the existing DW1 well workover, reducing mobilisation costs
- KN2 is designed to grow Killanoola production and support near-term material cash flow generation

Red Sky Energy Ltd (ASX: ROG) (Red Sky or the Company) is pleased to announce that it has executed a binding Farm In Agreement with Condor Energy Services Limited, Chawla Group Pty Ltd and VB Energy Pty Ltd (together, the **Farminees**) to fund and advance drilling of the KN2 well at the Company's Killanoola Oil Project in South Australia.

Under the Agreement, the Farminees will collectively fund 75% of the drilling and completion (or abandonment) costs of the KN2 well. In return, they will earn a 45% undivided interest in the KN2 Well.. Red Sky retains a 55% interest in the well and a 100% of the rest of the licence and will remain as Operator.

The well is designed as a vertical well targeting a structural high position identified in Red Sky's proprietary 3D seismic survey. This location offers the potential to access a materially larger portion of the petroleum initially in place. The Farminees' interest will convert to a working interest in the KN2 well upon completion of the drilling program and Ministerial approval of the assignment. The Farmin Agreement is binding, subject only to standard regulatory approvals, including Ministerial consent.

Condor Energy Services will also have a right of first refusal to provide wellsite services across the broader PRL 13 licence area for a period of 24 months.

The Farmin Agreement also provides for the formation of an unincorporated joint venture and the execution of a Joint Operating Agreement (JOA) on standard industry terms over the KN2 well.

Managing Director, Andrew Knox, commented:

“The KN2 well is a technically driven opportunity to unlock a new zone at Killanoola and build on the encouraging results from our recent 3D seismic work. We’re pleased to welcome Condor Energy, Chawla and VB Energy as funding partners, sharing our confidence in the asset’s potential. With rig planning now advanced and an Activity Notification submitted for the pad, we look forward to drilling commencing shortly and progressing toward increased production and cash flow for shareholders. We anticipate spudding KN2 late in the current quarter, marking a key milestone in unlocking Killanoola’s potential. The existing DW1 well workover will also take place in conjunction with the KN2 drilling to change out the bottom hole pump”

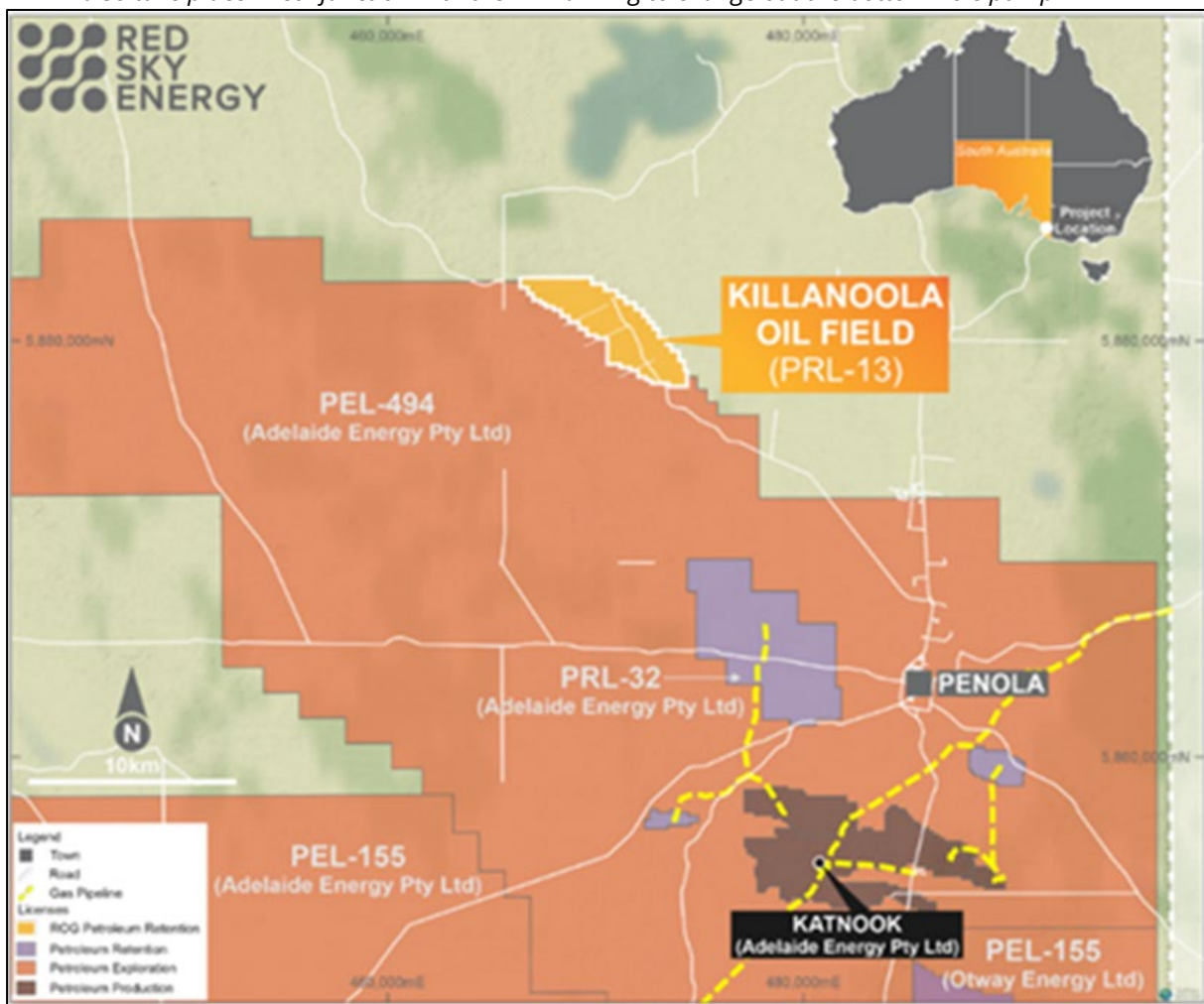


Figure 1: Killanoola Oil Field (PRL-13) location map

(Adelaide Energy Pty Ltd is a subsidiary of Beach Energy Ltd (ASX:BPT))

About Killanoola and KN2

The Killanoola Oil Project is located within PRL 13 in South Australia’s Penola Trough (refer Figure 1). Red Sky’s 3D seismic program, completed in 2023, resulted in a 46% uplift in the field’s Best Estimate Petroleum Initially In Place (PIIP), increasing to 135.5 million barrels. KN2 targets a previously undrilled structural high identified from this new data. (Refer Table 1 and [ASX Announcement 21 April 2023](#).)

The Company has submitted Activity Notifications to the South Australian Department for Energy and Mining (DEM) for KN2 site preparation and a further AN for drilling, and the DW1 workover will follow. The same rig will be mobilised for both operations, minimising cost and operational risk.

Killanoola has a conditional offtake agreement with Viva Energy Australia Limited (ASX: VEA) and is in discussions with Santos Limited (ASX:STO) (operator of the SACB JV) regarding alternative offtake and processing at the Port Bonython facility.

With production infrastructure in place, KN2 offers near-term potential to lift output and drive revenue growth materially.

Table 1: Summary of discovered Petroleum Initially In Place (PIIP) of the PRL-13 Killanoola Oil Field (100%)

Killanoola Oil Field	Discovered Petroleum Initially In Place (mmbbls)		
	Low	Best	High
31 March 2022	57.2	93.0	98.6
19 April 2023	28.9	135.5	157.4
% Increase	(49.5)%	45.7%	59.6%

Table 1 above summarises the discovered petroleum initially in place of the Killanoola Oil Field as announced on [5 May 2022](#) and updated by GRI as at 19 April 2023. This evaluation was carried out in accordance with the Petroleum Resources Management System (PRMS) approved in 2018 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. The report was prepared and supervised by the Competent Person.

For the updated Independent Competent Person's Report (CPR), refer to: [Independent Competent Person's Report on the Discovered Petroleum Initially In Place \(PIIP\) in the Killanoola Oil Project, PRL-13, Penola Trough, South Australia \(19 April 2023\)](#)

Forward Plan

- Workover the existing DW1 well and change out the pump.
- Drill the high-impact KN2 well, targeting a significant new zone identified by 3D seismic.
- Subject to final approvals, including governmental, drilling is expected to commence at the earliest late this quarter (This timeline is subject to rig availability and the finalisation of commercial arrangements, which are currently well advanced).
- The Company maintains a conditional offtake agreement with Viva Energy Australia (ASX:VEA); however, it continues to pursue alternative processing and sales options to maximise commercial flexibility and pricing outcomes.

Red Sky sees Killanoola as a near-term catalyst for added shareholder value, with operations designed to drive production growth, optimise capital efficiency, and accelerate cash generation.

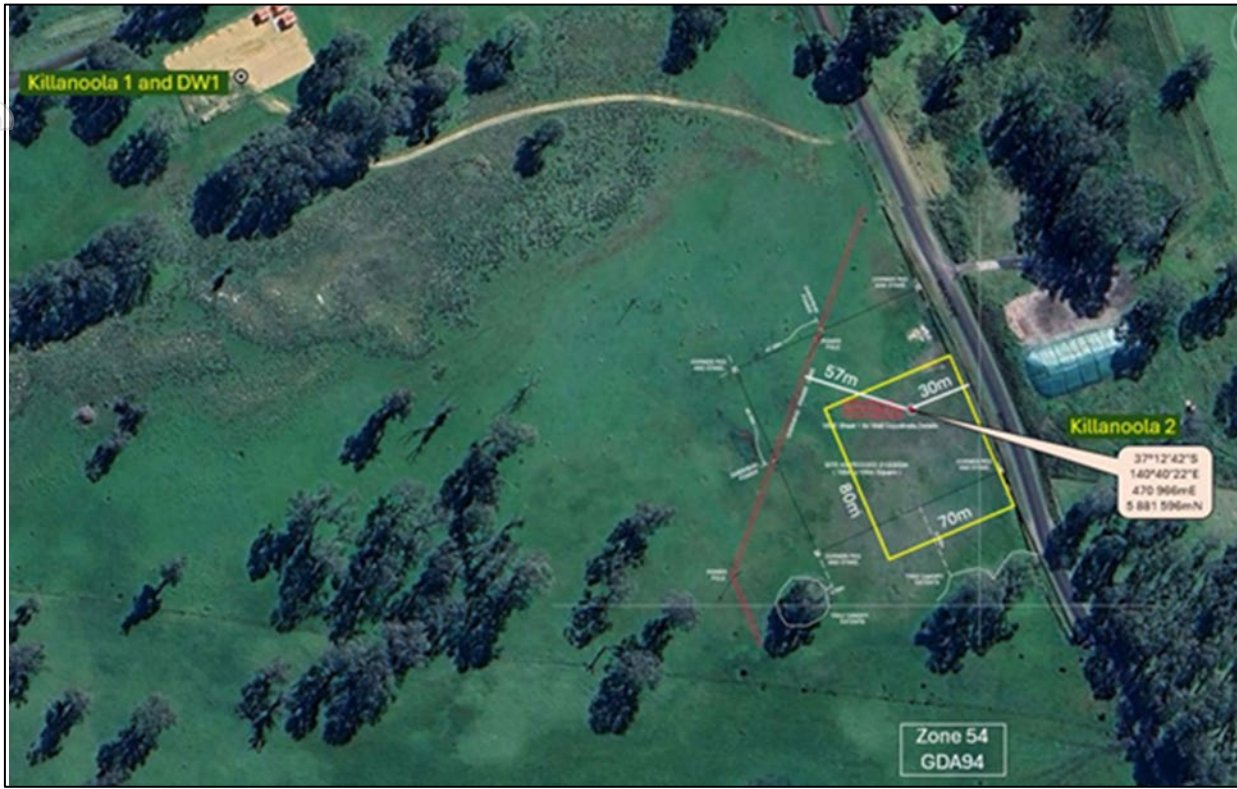


Figure 2: Location of well pad to be built at KN2

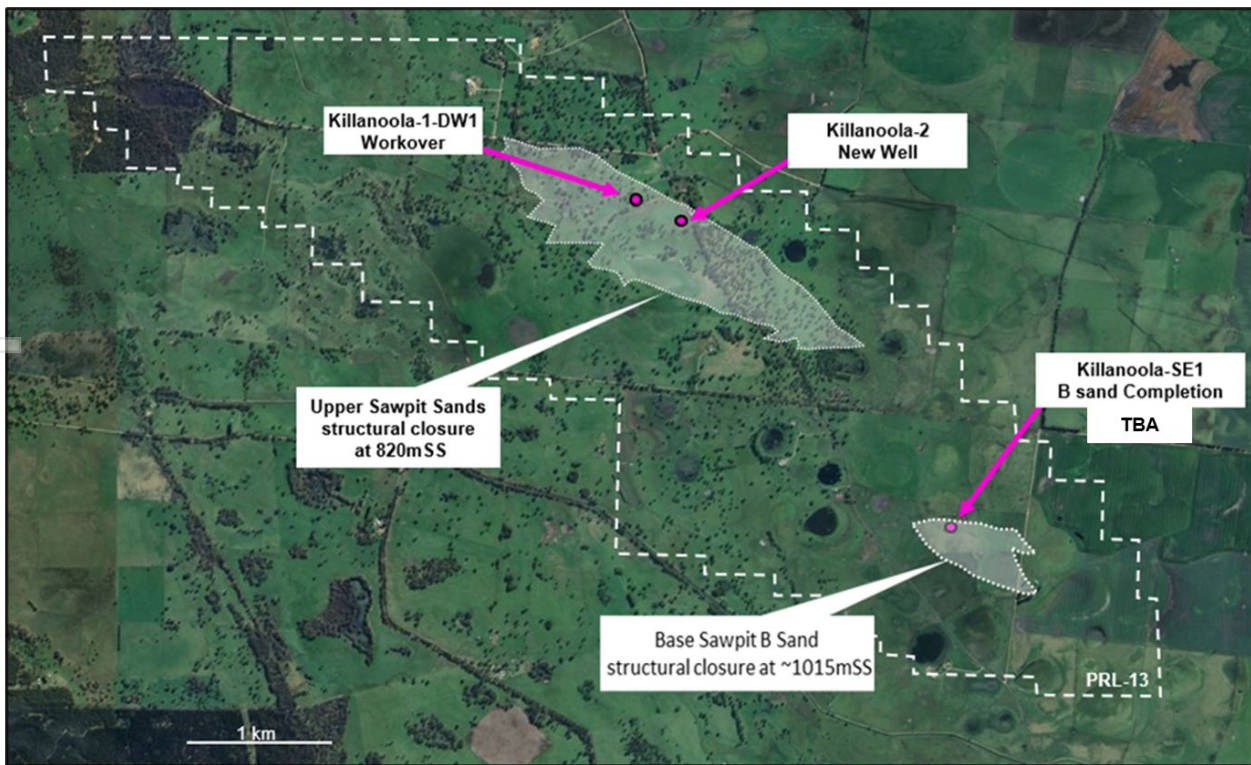


Figure 3: Aerial View of the eventual Forward Programme

-ENDS-

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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Forward Looking Statements

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

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.