

Red Sky Energy to Target Flax Project to Deliver Near Term Revenues

HIGHLIGHTS

- Flax Project contains a 2C Contingent Resource of 9.9 million barrels of oil
- Six wells have historically produced over 180,000 barrels of oil grading 54 API
- AUD price for a barrel of oil grading 54 API currently around A\$100 per barrel FOB well head
- Focus on restarting operations using existing six production wells given very low capex and streamlined timetable option as a result of existing wells and substantial in place infrastructure
- Enhanced Oil Recovery (EOR) options being considered for second phase development that if proven may substantially increase recoverable oil

Australian Oil and Gas explorer and developer, Red Sky Energy (ROG: ASX) (“Red Sky” or “the Company”) is pleased to provide the results of its recently completed strategic review on its 100% owned Flax Oil and Gas Project located in Australia’s Cooper Basin.

Managing Director and CEO, Andrew Knox, commented:

“We believe we have the option of restarting oil production from the existing six oil wells at our 100% owned Flax Project. Given in place infrastructure this is likely to be very low capex and should provide for early cash flows particularly in light of current Australian dollar oil prices.

We also believe we have enhanced oil recovery options available that may increase our 2C contingent resource of 9.9 million barrels of oil to something substantially larger. And when you consider oil of the quality that has been historically produced from Flax is currently selling at around A\$100 per barrel FOB Flax, that could result in very substantial revenues.”

Background

On 20 May 2019, the Company completed the full acquisition of four Cooper Basin oil and gas projects known collectively as The Innamincka Dome Projects. Into and post the acquisition the Company has been working on a strategic review of the Projects. With respect to the Flax Project, it is an oil and gas project that contains a 2C contingent resource of 9.9m barrels of oil and 24 BCF of natural gas with in place infrastructure and six production wells that produced around 180k barrels of oil between 2009 and 2015 when it ceased production due to low Australian dollar oil prices.

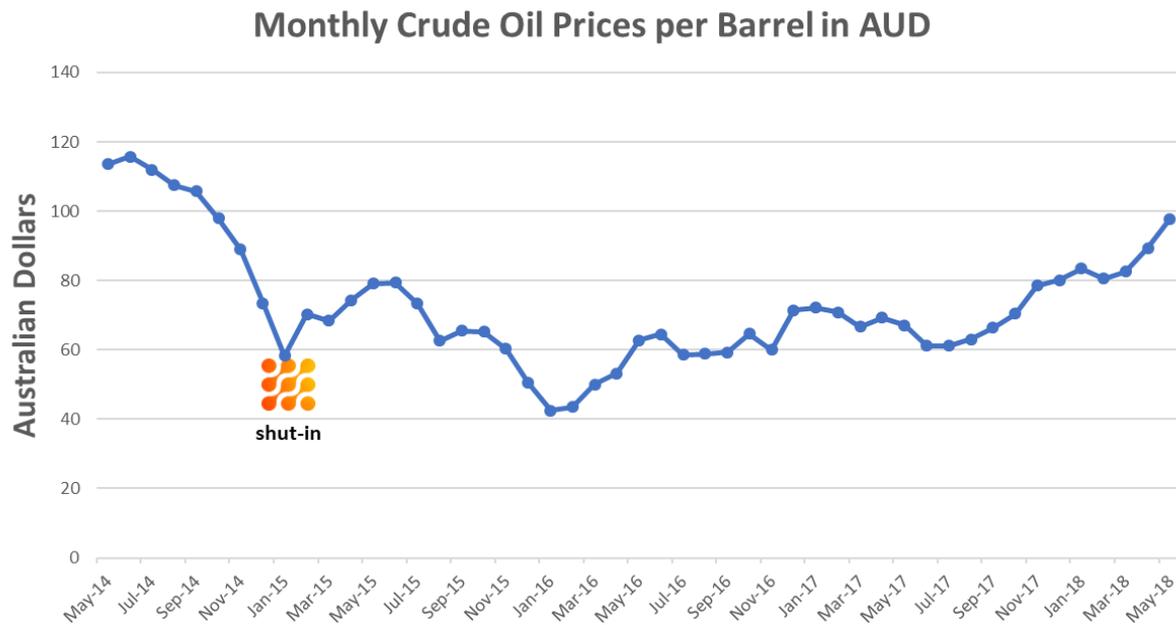


Figure 1: AUD Oil Prices from May 2014 to May 2019

Strategy

The Company believes that Flax can be developed in two phases:

Phase One:

The initial phase is designed to be a low capex, quick revenue starter project with the following overview:

1. Complete external review of in place infrastructure, including existing accommodation camp
2. Augment in place infrastructure as required
3. Sign offtake contracts for FOB oil delivery
4. Open existing six wells that historically produced around 180,000 barrels of oil

The Company believes this process could be completed in **less than six months**.

Phase Two:

The second phase is designed to target the substantial 2C Contingent Resource of 9.9 million barrels of oil that could potentially be increased by using Enhanced Oil Recovery (EOR) techniques. The Company has received independent industry consultant advice suggesting gas within the reservoir could be used to boost oil recovery by a factor of three to four times. At the current Australian dollar oil price of around A\$100 per barrel revenues from enhanced oil recovery could be very significant.

Test wells would be necessary to demonstrate the potential of the advice which lay the basis for the second phase strategy:

1. Test EOR options using gas recycling and horizontal drilling to increase flow rates
2. Complete engineering studies to determine likely up-front capital and operating costs
3. Secure offtake contracts to support development
4. Commence construction of larger operation



Figure 2: Photo of existing Flax Project Production Facility



Figure 3: Aerial view of existing Flax Production Facility

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For more information:

Andrew Knox
Managing Director
Red Sky Energy
 andrew.knox@redskyenergy.com.au

Elvis Jurcevic
Investor Relations
irX Advisors
 ej@irxadvisors.com

About Red Sky Energy Limited

Red Sky Energy is an ASX listed oil and gas development company with four 100% highly prospective projects located in Australia's Cooper Basin. The Company's initial development targets are; 1) the Flax Project that contains a 2C contingent resource of 9.9m barrels of oil and 24 BCF of natural gas with in place infrastructure and six production wells that produced around 180k barrels of oil between 2009 and 2015 when it was closed down due to low Australian dollar oil prices; and 2) the Yarrow Project that contains a 2C contingent resource of 20 BCF of natural gas. These projects are expected to deliver near term revenues with modest capital expenditure requirements.

The Company's other two projects are significant with Juniper an oil and gas target with modest existing 2C oil and gas contingent resources with significant exploration potential, and PRLs 180/181/182 with an oil and gas target that is substantially under explored.

Other assets include 100% working interest in the Gold Nugget gas production in Wyoming, USA.

The Company is focused on moving its near term revenue projects into production whilst establishing the optimum model to explore the larger two substantially under explored projects.

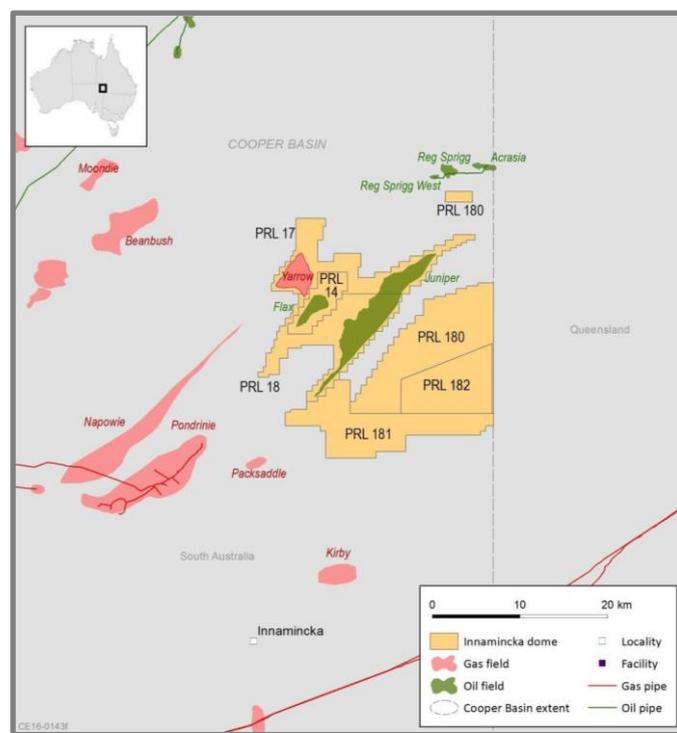


Figure 4: Map showing Company's Projects located in Cooper Basin, South Australia