

ROG secures Farm Out deal on Innamincka with Santos

HIGHLIGHTS

- Red Sky Energy subsidiary Red Sky Energy (NT) Pty Ltd has entered into a Farmout Agreement with Santos Ltd (ASX: STO) subsidiary Santos QNT Pty Ltd in relation to Red Sky's Cooper Basin licences PRLs 14, 17, 18, 180, 181 and 182 to inject A\$9m in capital into Red Sky's Innamincka Dome projects
- This transaction accelerates the development strategy for Flax and Yarrow projects with a well-capitalised partner
- The terms of the Agreement provide for Santos to earn an 80% interest (and operatorship) in Red Sky's Cooper Basin licences (collectively known as the Innamincka Dome), along with the following considerations:
 - Fund 100% of 50km² of 3D seismic over the Yarrow gas field in PRL17, up to a maximum gross cost of A\$1.0 million
 - Fund 100% of an appraisal well in the Yarrow gas field up to a maximum gross cost of A\$3.0 million
 - Fund 100% of an appraisal well in the Flax oil and gas field in PRL14, up to a maximum gross cost of A\$5.0million
 - Subject to satisfactory appraisal outcomes, initially fund 100% of any approved development of the fields, with Santos to be repaid for Red Sky's share of such development expenditure out of Red Sky's share in production
 - The Farm Out Agreement, and the transfer of the 80% interest in the licenses, is conditional on a number of standard approvals including ministerial approval and licence registration

Australian Oil and Gas explorer and developer, Red Sky Energy (ROG: ASX) ("Red Sky" or "the Company") is pleased to announce that its subsidiary Red Sky Energy (NT) Pty Ltd has executed a Farm Out Agreement and will enter into a Joint Operating Agreement ("JOA") with Santos Ltd (ASX: STO) subsidiary of Santos QNT Pty Ltd in respect to its Cooper Basin licences PRLs 14, 17, 18, 180, 181 and 182.

Managing Director and CEO, Andrew Knox, commented:

"We are pleased to welcome Santos as a partner across the Innamincka Dome projects. This partnership validates Red Sky's strategy to develop high quality assets which can be brought into production relatively quickly.

The Red Sky Santos transaction is well timed to take advantage of the historically high AUD oil and gas prices in the current environment."

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. The Projects are summarised as follows:

1. Flax - Oil and gas project which 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 which have produced around 180k barrels of oil between 2009 and 2015 when it was closed down due to low Australian dollar oil prices.
2. Yarrow - Gas project contains a 2C contingent resource of 20 BCF of natural gas.
3. Juniper - Large oil and gas target with modest existing 2C oil and gas contingent resources with significant exploration potential.
4. PRLs 180/181/182 - Large oil and gas target substantially unexplored.

Strategic Review

The Company announced on 17 June 2019 that it was undergoing a strategic review with a focus on scoping near term cash flow projects with low capex designed to support exploration and further development activities on the larger projects. Options with respect to financing the larger projects were explored with consideration to self-funding or partner arrangements or a combination of the two.

Financing

The Company explored various options over the past year with respect to financing the remediation bond and capex attaching to the Company's Projects. The joint venture partnership entered into with Santos was chosen for the following key benefits to Red Sky shareholders:

- Relieves Red Sky of the Bond provision obligations with the SA Government of A\$5.0 million
- Santos is a well-capitalised partner with significant Cooper Basin technical and operational experience
- The Farm Out Agreement secures funding for a targeted work programme accelerating development in the projects
- Timing will take advantage of historically high AUD oil and gas pricing

Farm Out Agreement terms

The Farm Out Agreement provides for Santos to earn an 80% interest (and operatorship) in Red Sky's Cooper Basin licences collectively known as the Innamincka Dome. The terms provide for Santos to:

- Fund 100% of 50km² of 3D seismic over the Yarrow gas field in PRL17, up to a maximum gross cost of A\$1.0 million
- Fund 100% of an appraisal well in the Yarrow gas field up to a maximum gross cost of A\$3.0 million
- Fund 100% of an appraisal well in the Flax oil and gas field in PRL14, up to a maximum gross cost of A\$5.0million
- Subject to satisfactory appraisal outcomes initially fund 100% of any approved development of the fields, with Santos to be repaid for Red Sky's share of such development expenditure out of Red Sky's share of production

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About Red Sky Energy Limited

Red Sky Energy is an ASX listed oil and gas development company with four 20% highly prospective projects located in Australia's Cooper Basin. The Company's initial development targets are; 1) the Flax Project which 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 which 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 oil and gas targets 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.

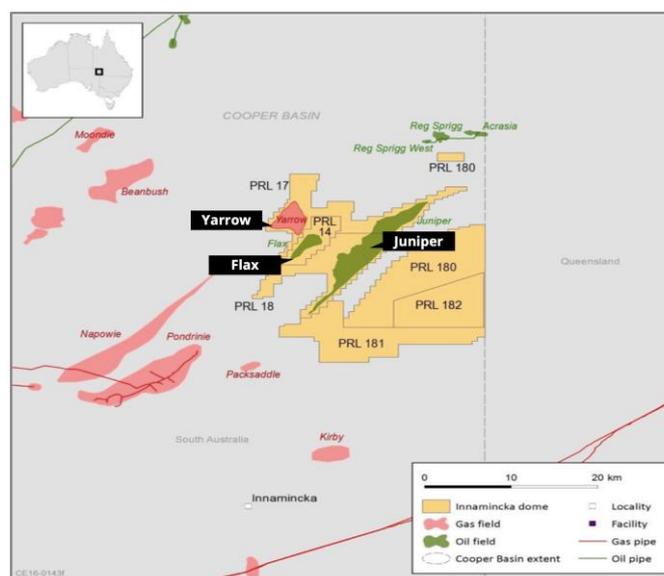


Figure 1: Map showing Company's Projects located in Cooper Basin, South Australia