

NET PAY OF 16 METRES AT KILLANoola OIL PROJECT, SOUTH AUSTRALIA

HIGHLIGHTS

- **Petrophysical analysis identifies sixteen (16) metres of Net Pay for Killanoola SE-1**
- **Oil-bearing zones to be perforated for upcoming extended production test**
- **Well-developed hydrocarbon column within the Sawpit Sandstone**
- **Strong outlook for significant reserve growth from highly prospective tenement acreage**

Australian Oil and Gas explorer and developer, Red Sky Energy (ROG: ASX) (Red Sky or the Company) is pleased to advise that a petrophysical evaluation of Killanoola Southeast-1(Killanoola SE-1) has been completed. This well is part of the Killanoola Oil Project (**Killanoola**) located in the Penola Trough, South Australia, within Red Sky's newly acquired PRL13.

The Killanoola Project

The Killanoola oilfield was discovered by the Killanoola-1 well in 1998 at a depth of 850 metres. The oil is a 34° API waxy crude. Previous flow tests of the well have recorded rates of up to 300 bopd.

A second well, Killanoola SE-1, was drilled in 2011 and also discovered oil. This well has not undergone a production test. The petrophysical report identifies 16 metres net of oil bearing pay zones within the Sawpit Sandstone.

An exceptional result of 16m of Net Pay is in stark contrast to the original net pay estimates of 1.5m. Red Sky is now working to revise geological and geophysical interpretations to re-determine the volume of oil in place.

The Company intends to perforate and test the well with planning underway in line with the license work programme. This test, if successful will allow Red Sky to book reserves associated with Killanoola SE-1.

Commenting on report, Red Sky Managing Director, Andrew Knox, said:

"The team remains focused on recommencing production at the Killanoola-1 well and this excellent result from the petrophysical evaluation at Killanoola SE-1 is very encouraging. We are incorporating the testing of this well into our initial work programme as we continue to determine and extract full value from the resources at Killanoola."

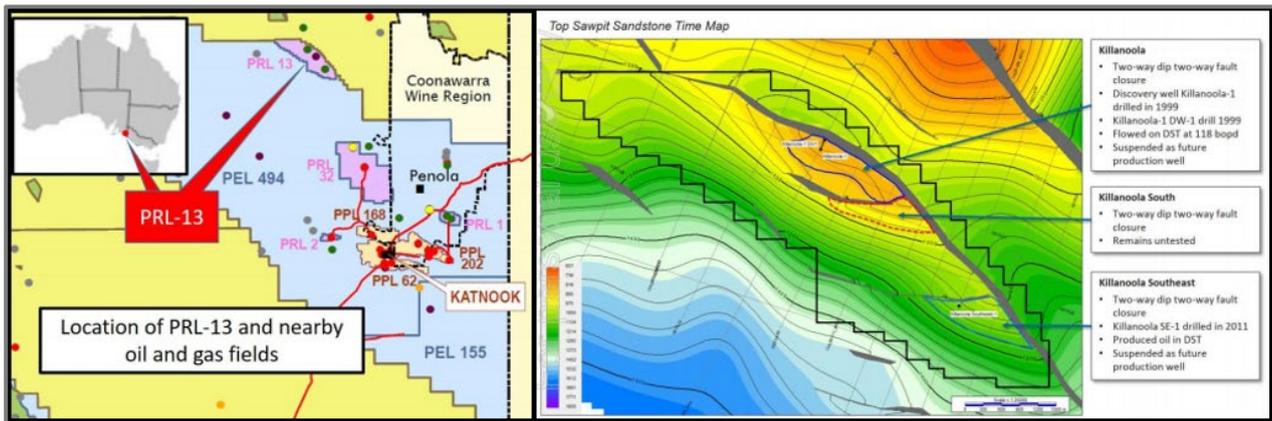


Figure 1: Killanoola SE-1 Location

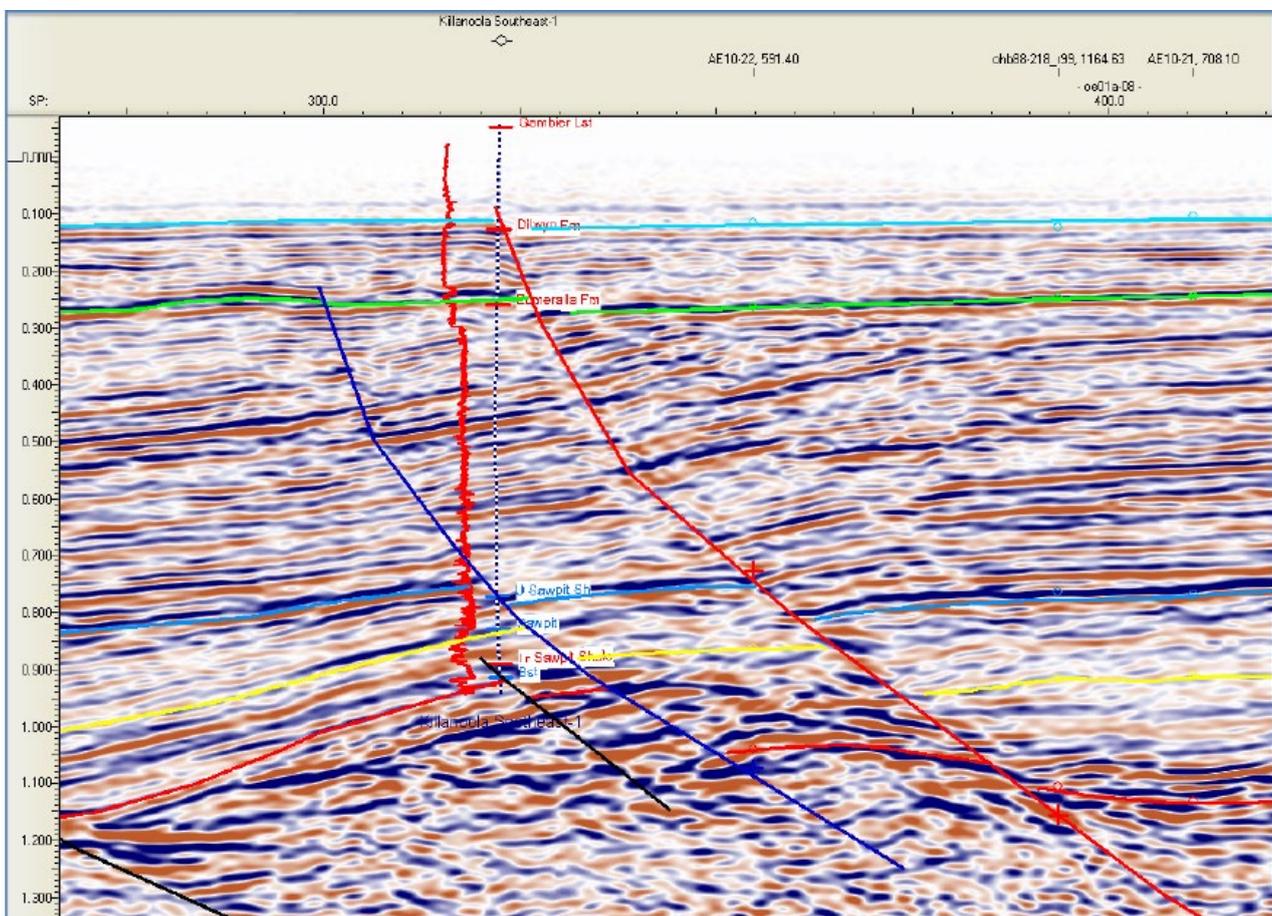


Figure 2: Killanoola SE-1 Post-drill interpreted seismic section

-ENDS-

Released with the authority of the board.

For further information on the Company and our projects, please visit:

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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.