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ASX Announcement

RED SKY ENERGY SECURES RIG FOR FIRST WELL

Key Points:

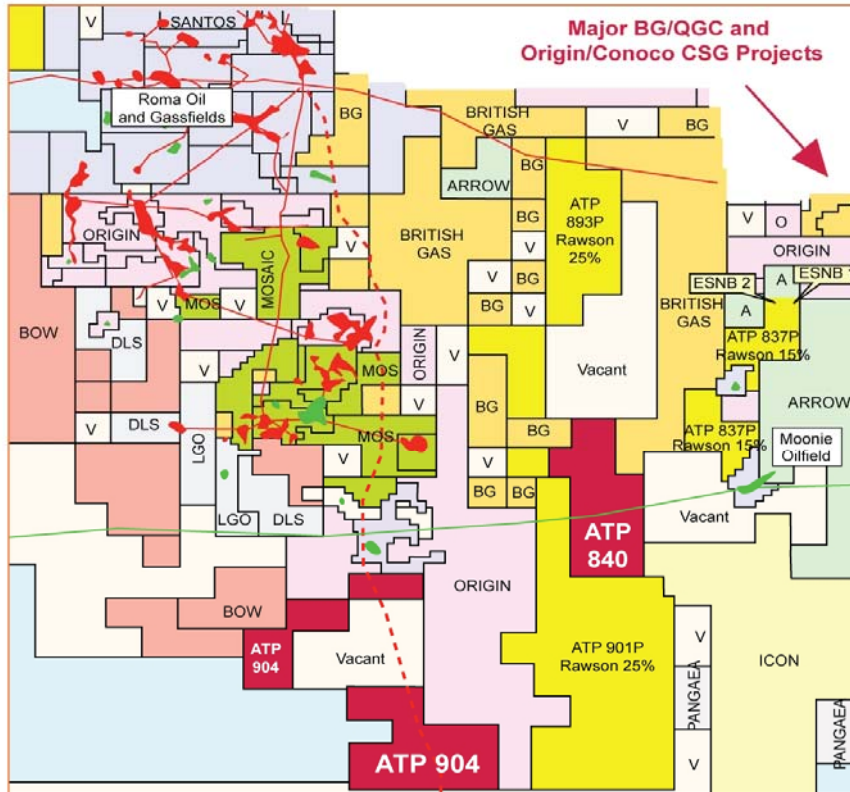
- **Red Sky Energy contracts with TDC Drilling of Welshpool Western Australia (TDC);**
- **TDC is a cost competitive, experienced contractor with an excellent safety record;**
- **This is Red Sky Energy's first coal seam gas well, called Romona #1 after the local property;**
- **Located within ATP 840, west of the town of Moonie;**
- **Expected to spud in late January, targeting completion by end of February;**
- **To core prospective cretaceous coals within the Taroom Trough.**

Red Sky Energy Limited (**ASX: ROG**) ("Red Sky" or "the Company"), via wholly owned subsidiary Cydonia Resources Pty Ltd ("Cydonia"), has contracted a drilling rig for its first coal seam gas well. The well will test the cretaceous coals of the Rolling Downs Group and the Bungil Formation. This well, upon completion, will meet Red Sky Energy's initial farm-in obligations to Clark Oil and Gas and earn the Company a 50% interest in ATP 840.

TDC is an experienced drilling contractor, having provided extensive services to Origin Energy and Santos. The proposed rig, TDC Mindrill 1500 #7 to be mobilised out of Roma, will bring to seven the number of rigs TDC has operating in the Surat Basin. Importantly TDC has an excellent safety record.

As announced previously, permits ATP 840 and nearby ATP 904 are potentially a significant CSG resource:

- The permit totals approximately 1700km².
- The permit is thought to contain extensive cretaceous coals of the Rolling Downs Group and the Bungil Formation
- These same coals have been reported to be gassy in nearby wells
- The permits represents a potential to host combined in place gas resources of 8 Trillion Cubic Feet (TCF) of Coal Seam Gas (CSG).*

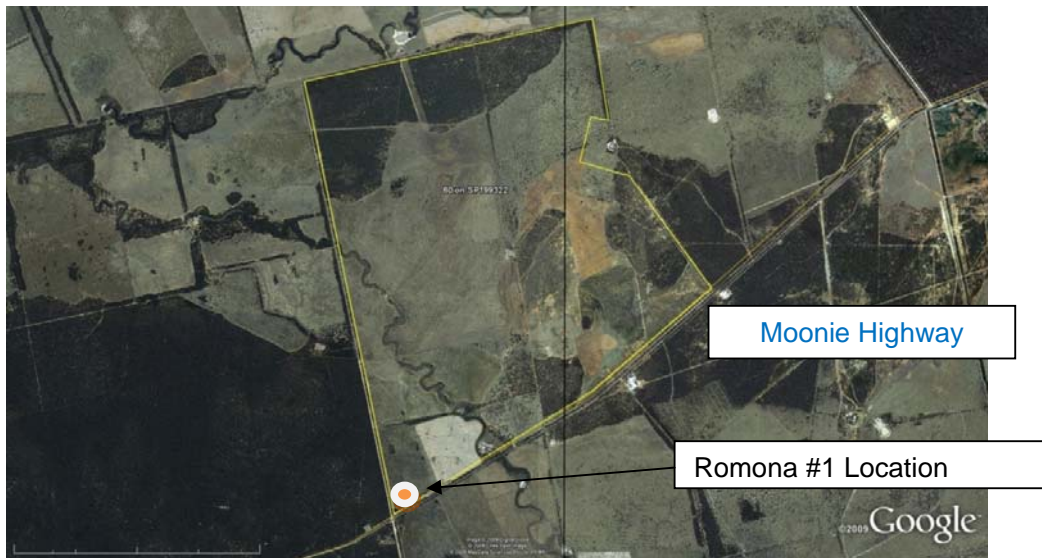


Proximity to Major QGC
Projects and Acreage

Location of permit ATP 840



Permit ATP 840



Location of first well within ATP 840

****The technical information contained herein is based on information compiled by Red Sky Energy Ltd's technical advisor Scott Thomson, who has in excess of 30 years experience in coal and CSG exploration and production. Mr Thomson is a certified member of the Society of Petroleum Engineers, and the Geological Society of Australia, and is subject to the code of ethics of these bodies. Mr Thomson has prepared a number of reports and evaluations for a variety of Australian and North American companies over the past ten years. Mr Thomson is also a shareholder in Red Sky Energy Ltd. Mr Thomson consents to the inclusion in this announcement of the information in the form and content in which it appears.***

The potential gas in place estimates are classified Undiscovered Petroleum Initially In Place (UPIIP) in accordance with SPE PRMS classification and additional work is required to report a contingent gas resource.

For further information contact:

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