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## ASX ANNOUNCEMENT

### SIGNIFICANT NEW FARM-IN

- Red Sky executes Clarence Moreton Basin farm-in
- Right to earn up to 100% in four permits
- Close to Metgasco's major coal seam gas reserves
- Initial phase comprises two wells this year

The directors of Red Sky Energy Limited ("Red Sky" or "the Company") are pleased to announce a farm-in within the highly prospective Clarence Moreton Basin in north east New South Wales. The farm-in with Clarence Moreton Resources Pty Ltd covers the permits PEL 457, 478, 479 and PSPA 37 as shown on the map below.

The key commercial terms of the farm-in are:

- Right to earn an initial 30% interest in each permit by drilling one well
- Right to earn an additional 40% interest in each permit by expending \$3m on further exploration
- Right to buy out the remaining interest
- Red Sky is the Operator
- Includes both coal seam gas and conventional oil/gas rights

One of the farm-in permits is adjacent to Metgasco's PEL 13 and production lease application where the following independently certified reserves and contingent resources were recently announced by Metgasco on 16<sup>th</sup> February 2010:

1P – 2.7 PJ  
2P – 397 PJ  
3P – 2,239 PJ  
2C – 1,117 PJ

In addition, the farm-in permits abut Metgasco's acreage where 23 conventional oil/gas leads have been identified and where their Kingfisher E1 conventional gas discovery is situated. Refer Metgasco's ASX announcements dated 28<sup>th</sup> January and 30<sup>th</sup> April 2010.

Red Sky is planning to drill two core holes (one each in PEL 457 and PEL 479) during the last quarter of this year, initially targeting coal seam gas. Regulatory approval processes have commenced and preparations for the drilling rig are underway. An update will be provided once plans for the drilling program have been completed.

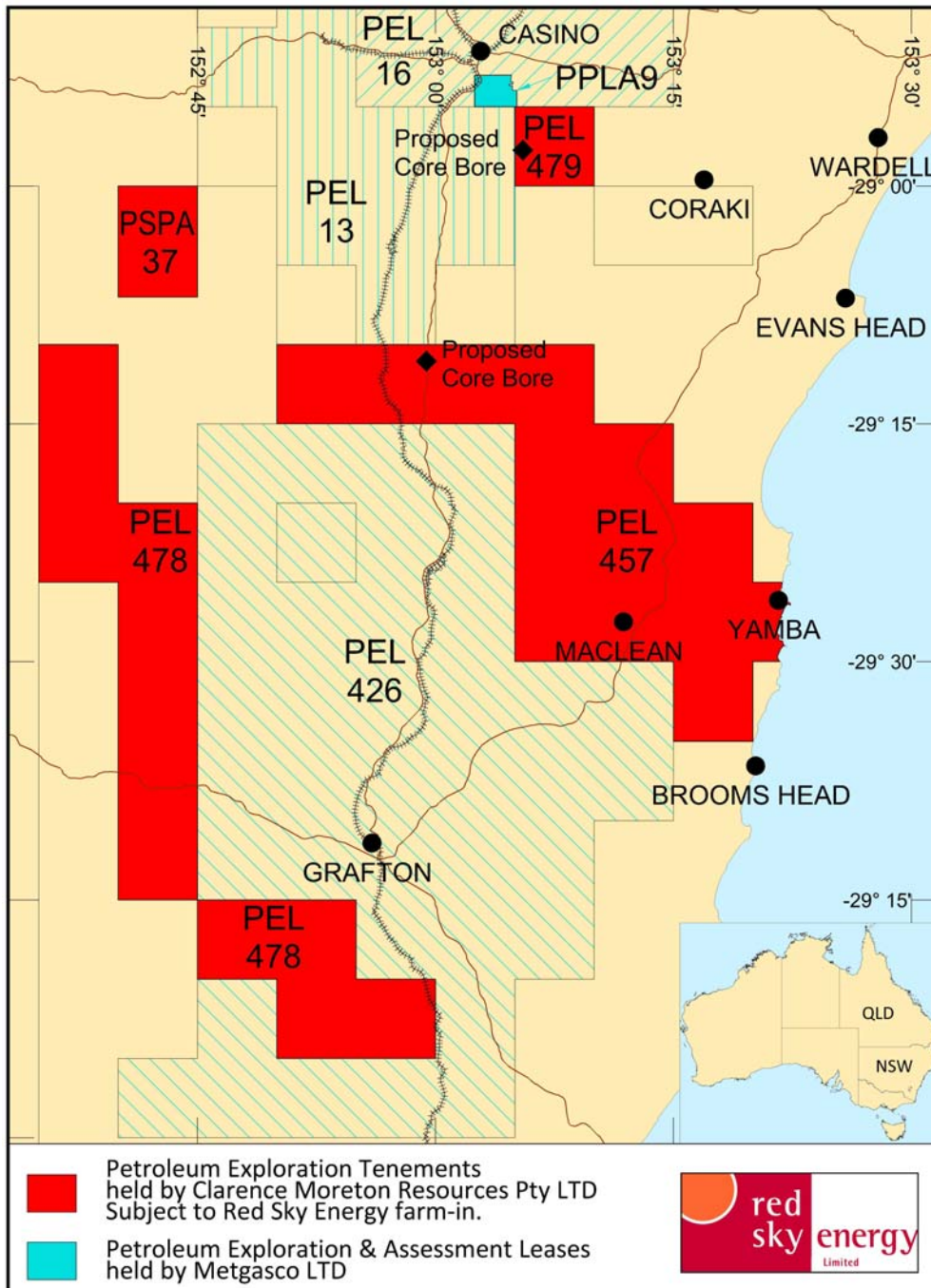
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