



ASX/MEDIA RELEASE

Friday, March 3 2011

General Manager
The Company Announcements Office
Australian Securities Exchange

CORPORATE UPDATE

Island Sky Australia Limited (ASX:ISK) ('ISK') wishes to update shareholders with respect to its previously announced strategic review of its 'air to water' products business operated by its wholly owned subsidiary Island Sky Corporation Inc ('ISK Inc').

The Board of ISK confirms that it is in communication with various parties who have expressed an interest in investing in that business and has received a written proposal from a USA based party.

The Board of ISK will be seeking clarification of a number of aspects of that proposal and will continue negotiations with all parties until:

- (a) any offer is sufficiently robust to adequately reflect shareholder investment in ISK to date and fully recognise the inherent value of the Company's intellectual property; and
- (b) the Board is satisfied that any offeror has the financial capacity to complete and take the business forward.

The market will be kept informed of any information which ISK is required to disclose under the Listing Rules however at this stage, all of the various initiatives are at a preliminary stage or subject to confidentiality restrictions.

Any offer which is acceptable to the Board will be subject to shareholder approval at a meeting called for that purpose.

For further information, please contact:

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