



Level 17, 500 Collins Street,
Melbourne Victoria 3000

abn: 94 099 116 275
tel: +61 3 9614 0600
fax: +61 3 9614 0550
redskyenergy.com.au

ASX ANNOUNCEMENT

CLARENCE MORETON GAS DISCOVERY PILOT WELL UPDATE

Key Points:

- **Company announced a significant new discovery in the Kangaroo Creek Sandstone in 2011;**
- **Plan is to drill a pilot well in the Kangaroo Creek Sandstone;**
- **Application for regulatory approval of the pilot well was submitted in November;**
- **Further information requested by NSW Government regulator has now been submitted;**
- **Determination by regulator now expected in April.**

The directors of Red Sky Energy Limited ("Red Sky" or "the Company") are pleased to provide the following update on the progress of the proposed Talma pilot well, which will target the Company's highly prospective Kangaroo Creek Sandstone gas resource in the Clarence Moreton Basin in north east New South Wales.

The Company announced a significant new discovery (within PEL 457) in the Kangaroo Creek Sandstone in 2011. Its intention is to drill the Talma pilot production well within the discovery area and perform a long term production test to determine the magnitude of the resource.

Red Sky's application for regulatory approval for the Talma pilot well, in the form of a comprehensive Review of Environmental Factors (REF) document, was submitted in November (ASX announcement, 3 November, 2011). The REF was comprehensive and included extensive stakeholder consultation and a rigorous assessment of impacts. It concluded that any impacts could be adequately managed.

Additional information was requested by the NSW Department of Trade and Investment, Resources and Energy. The Company has undertaken the further study work and has now provided all the required additional information. A determination by the Department is expected in April.

The Company conducted a Resource Study on its Kangaroo Creek sandstone gas discovery resource in August (ASX announcement, 11 August 2011) which concluded that the discovery is a highly prospective lead. Red Sky plans to drill out the pilot well to expose the Kangaroo Creek formation over a 90 metre interval, from 480 metres to 570 metres depth.

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Upon completion of drilling, a wellhead and flare will be installed and the well put on production. Site works are expected to take no more than 15 days. Upon securing regulatory approval, the Company will seek a suitable drilling rig to undertake the pilot.

The Company will provide further details of the regulatory approvals process and progress of the Talma pilot well as they become available.

ENDS

For further information contact:

Shareholders/ Investors:

Mr Rohan Gillespie
Managing Director
Red Sky Energy Limited
Tel: +61 (0)438 722 443
Email: info@redskyenergy.com.au

Mr James Moses
Media and Investor Relations
Mandate Corporate
Tel: +61 (0)420 991 574
Email: james@mandatecorporate.com.au

Red Sky Energy is an Australian exploration company focused on coal seam gas. It has extensive acreage in Queensland and New South Wales which could supply into the emerging LNG industry in eastern Australia. The Company has booked reserves in the prospective Clarence Moreton Basin, and has a drilling program underway to earn a 70% interest in four permits. The board of directors and management team have over 100 years of energy industry experience and have been involved in the coal seam gas industry since inception in Australia. Directors of the Company are Gerrit de Nys (Non Executive Chairman), Rohan Gillespie (Managing Director), Guy le Page (Non Executive Director) and Murray Durham (Non Executive Director).