11 March 2010

ASX ANNOUNCEMENT

Enhanced Biogenic Methane Limited enters into binding terms with Red Sky

(ASX Code: TNC)

As previously advised, Transol Corporation Ltd ("Transol" or "the Company") announced that it had acquired 20% of the issued capital of Enhanced Biogenic Methane Limited ("EBM"), with the right to acquire up to 100% of the issued capital of EBM.

EBM has entered into a Binding Term Sheet with Red Sky Energy Limited (ASX: ROG). A copy of the announcement made by ROG regarding the transaction with EBM is enclosed overleaf.

For further information regarding EBM, please refer to previous Company announcements.

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ASX Announcement

RED SKY ENERGY TO ACCESS METHANE ENHANCEMENT TECHNOLOGY

Key Points:

- **Red Sky to secure rights to new technology that could yield methane quantities from coal in excess of that produced using conventional coal seam gas techniques.**
- **The technology has been shown to perform well on low rank coals of the type found within Red Sky's substantial exploration acreage in northern NSW and southern Queensland.**
- **Red Sky plans to demonstrate the technology in a single well demonstration project.**

Red Sky Energy Limited (**ASX: ROG**) ("Red Sky" or "the Company") today signed a binding terms sheet with Enhanced Biogenic Methane Limited ("EBM"). EBM holds an exclusive Australian licence to biogenic methane enhancement ("BME") technology from the Western Research Institute ("WRI") of Wyoming, which is at the forefront of development and application of this technology.

WRI has been selected by EBM because of their development of patented BME technology over the past five years.

EBM, a company associated with the Managing Director, Mr Rohan Gillespie, is finalising plans for a demonstration project on lignite in Victoria with the results from this project to be made available to Red Sky to assist planning of the Red Sky demonstration project.

EBM Term Sheet

The following key terms will be incorporated into definitive agreements:

- Red Sky to fund a single well demonstration project, at an estimated cost of $600,000, within its exploration leases in either Queensland or NSW.
- EBM is to refund a portion of the demonstration project cost to Red Sky from the sale of its share of production.
- Should Red Sky determine that the project has been successful, the Company has the right to deploy the technology throughout any of its acreage via a sub-license.
- EBM would be entitled to a 25% farm-in interest and receive a production royalty from permits where BME technology is applied

The deal is conditional upon Red Sky shareholder and regulatory approval should it be required.

Red Sky Energy Ltd
ASX Code: ROG

The Technology

BME accelerates the natural biogenic process that produces methane known as coal seam gas. Biogenic methane accounts for in excess of 20% of the total methane reserves on earth. Major sources include the majority of coal seam gas in the Surat Basin in Queensland and the Powder River Basin in Wyoming, United States of America.

BME has been demonstrated to produce methane in both bench scale trials (lignite and black coal) and field tests (black coal) in the Powder River Basin located in the USA. Red Sky believes the low rank Cretaceous age coals within its exploration leases in northern NSW and southern Queensland are well suited for the application of BME technology.

BME works by artificially stimulating the micro-organisms called methanogens that break down the coal structure and produce methane as a by product. BME technology works best on lignite (brown coal), low rank black coals and oil shale. This is because of their high content of volatile hydrocarbon compounds and hydrogen, which if all converted to methane would yield gas quantities in the order of ten times that of traditional coal seam gas.

Red Sky and BME

Red Sky Executive Director Mr Murray Durham said, "Red Sky is committed to investigating commercialisation options for its extensive exploration portfolio. The BME technology looks very prospective, should be well suited for application to Red Sky's acreage and has the potential to significantly enhance the gas production capacity of our coals."

Ends

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