



Red Sky Energy Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2017

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE RED SKY ENERGY FULL YEAR REPORT DATED 31 DECEMBER 2016 AND ANY PUBLIC ANNOUNCEMENT MADE BY THE COMPANY IN ACCORDANCE WITH THE CONTINUOUS DISCLOSURE OBLIGATIONS ARISING FROM THE CORPORATIONS ACT 2001 AND THE ASX LISTING RULES.

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DIRECTORS' REPORT

Your directors present their report consisting of Red Sky Energy Ltd and controlled entities (the Group) as at the end of, or during, the half year ended 30 June 2017.

Directors

The following persons were directors of Red Sky Energy Ltd during the whole of the half year and up to the date of this report (unless otherwise stated):

Director	
Mr Guy Le Page	Non-Executive Chairman
Mr Clinton Carey	Non-Executive Director
Mr Adrien Wing	Non-Executive Director
Mr Russell Krause	Non-Executive Director (resigned 1 February 2017)

Company Secretary

Mr Adrien Wing

Principal Activities

The principal activity of the Group during the period was exploration for economic deposits of oil and gas. There have been no significant changes in the nature of these activities during the period.

Operating Results

The net operating loss of the Group for the period ended 30 June 2017 after income tax amounted to \$401,499 (30 June 2016: loss \$624,439).

Review of Activities

Highlights

- On 9th March 2017, shareholders approved the convertible notes and a 50:1 consolidation of the company's securities along with 14 other resolutions;
- Completed a further fundraising of \$130,000 issuing 32,500,000 shares at 0.4 cents each. This was undertaken via the company's placement capacity under ASX Listing Rule 7.1 and 7.1A and issued to third party sophisticated investors;
- We are continuing the process for a rights issue to existing shareholders to raise an additional \$500,000 (the terms of the issue have yet to be established); and
- ROG concentrated on further enhancing its interest in the Gold Nugget Gas Field whilst looking for other oil and gas assets in North America and Canada for investment.

Convertible Notes

The Company obtained shareholder approval for the Convertible Notes, as well as, approval for a reconstruction of the Company's securities on a 50:1 consolidation. The funds received under the convertible notes have been allocated towards repaying the existing short term convertible notes, settle existing creditors, seek other opportunities and working capital.

On 21 July 2017, the conversion of the Convertible Notes (including capitalised interest) occurred. A total of 385,321,780 ordinary fully paid Shares were issued at 0.3117 cents per Share, along with 184,470,478 free attaching Options to acquire Shares at 1 cent each on or before 30 November 2019. The terms of the rights issue have yet to be established.

Gold Nugget

During the half-year work continued on the Gold Nugget gas project in Wyoming, USA. Unfortunately due to many unforeseeable difficulties very little development work was able to be done. As a result, very little gas was produced and the expenditure on the compressor had to be maintained under contract. As the contract for the compressor is now complete and it has not worked as well as first thought, it was decided to have the compressor taken away and other extraction techniques investigated.

Gold Nugget is located in the Wind River Basin in Wyoming, one of the largest gas producing basins in the USA. Gold Nugget is a proven gas field with a discovery well (completed to 14,000ft in 2004), Well #1-23, that has historically produced 150 mcfpd of gas and 5 barrels of oil per day. The Gold Nugget has been drilled to 14,000 ft and has 3,000 ft of Lance pay zone of which only 10% of the available porosity has been perforated.

Other Business

During the half-year the Company has continued to evaluate oil and gas projects in North America and Canada and has searched for investors in order to acquire identified cash flow positive projects. With oil and gas prices continuing to remain low there have been some exciting opportunities that have presented themselves but we have not been in the position to capitalise on these at this time.

The board continues to seek out and evaluate these opportunities.

Subsequent Events

On 21 July 2017, the conversion of the Convertible Notes (including capitalised interest) occurred. A total of 385,321,780 ordinary fully paid Shares were issued at 0.3117 cents per Share, along with 184,470,478 free attaching Options to acquire Shares at 1 cent each on or before 30 November 2019.

On 22 August 2017, ROG announced the disposal of its 50% interest in the Cache Oilfield, Colorado, USA for nominal consideration.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, RSM Australia Partners, to provide the directors with a written Independence Declaration in relation to their review of the financial report for the period ended 30 June 2017. The written Auditor's Independence Declaration is set out in the following page of this report.

This report is made in accordance with a resolution of directors.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors



Clinton Carey
Director
11 September 2017

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Red Sky Energy Limited for the half year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



P T Sexton

Partner

Melbourne, Victoria

11 September 2017

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2017

	Notes	Half Year End 30/06/2017 \$	Half Year End 30/06/2016 \$
Interest revenue		1,167	822
Administrative expenses		(207,282)	(192,554)
Consultancy costs		(23,945)	(71,000)
Director fees		(118,038)	(304,043)
Exploration costs		-	(41,164)
Interest expense		(53,401)	(13,907)
Loss from continuing activities before income tax		(401,499)	(624,439)
Income tax expense		-	-
Loss for the period		(401,499)	(624,439)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation		(43,078)	(65,016)
Total comprehensive loss for the year, net of tax		(444,577)	(689,455)
Net loss for the year is attributed to:			
Non-controlling interest		-	(7,189)
Equity holders of Red Sky Energy Ltd		(401,499)	(617,250)
Total comprehensive loss is attributed to:			
Non-controlling interest		-	(43,326)
Equity holders of Red Sky Energy Ltd		(444,577)	(646,129)
Basic and diluted (loss) per share (cents)	9	(0.25)	(0.53)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 \$	31 December 2016 \$
Current Assets			
Cash and cash equivalents		444,500	185,604
Receivables		39,300	212
Prepayments		4,587	24,445
Total Current Assets		488,387	210,261
Non Current Assets			
Other financial assets		41,226	40,990
Exploration and evaluation		914,246	973,231
Property, plant and equipment		1,712	-
Total Non Current Assets		957,184	1,014,221
Total Assets		1,445,571	1,224,482
Current Liabilities			
Trade and other payables		260,234	318,934
Borrowings - advances		-	650,000
Convertible notes	7	1,150,000	-
Total Current Liabilities		1,410,234	968,934
Total Liabilities		1,410,234	968,934
Net Assets		35,337	255,548
Equity			
Issued share capital	8	36,050,842	35,646,476
Reserves		42,483	1,755,561
Accumulated losses		(36,057,988)	(37,146,489)
Total Equity		35,337	255,548

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 30 June 2017

	Notes	Half Year End 30/06/2017 \$	Half Year End 30/06/2016 \$
Cash flows from operating activities			
Payments to suppliers (GST inclusive) and employees		(278,951)	(94,510)
Interest received		927	598
Interest paid		(9,241)	(8,924)
Net cash used in operating activities		(287,265)	(102,836)
Cash flows from investing activities			
Deposits paid – Gold Nugget exploration project		-	(104,054)
Exploration and evaluation costs		(56,840)	(41,514)
Payments for office equipment		(1,999)	-
Net cash used in investing activities		(58,839)	(145,568)
Cash flows from financing activities			
Proceeds from issue of convertible notes	7	800,000	250,000
Repayment of borrowings		(325,000)	-
Proceeds from issues of shares	8	130,000	-
Net cash flows provided by financing activities		605,000	250,000
Net increase in cash and cash equivalents		258,896	1,596
Cash and cash equivalents at the beginning of the half year period		185,604	140,646
Cash and cash equivalents at the end of the half year period		444,500	142,242

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 30 June 2017

Consolidated	2017				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of period	35,464,476	(37,146,489)	1,755,561	-	255,548
Loss for the period	-	(401,499)	-	-	(401,499)
Other comprehensive loss for the period	-	-	(43,078)	-	(43,078)
Total comprehensive loss for the period	-	(401,499)	(43,078)	-	(444,577)
Transactions with equity holders in their capacity as equity holders					
Issues of share capital	224,366	-	-	-	224,366
Transfer of reserves (Performance Rights)	180,000	-	(180,000)	-	-
Transfer of reserves (expired Options)	-	1,490,000	(1,490,000)	-	-
Total transactions with equity holders in their capacity as equity holders	404,366	1,490,000	(1,670,000)	-	224,366
Balance at the end of the period	36,050,842	(36,057,988)	42,483	-	35,337
Consolidated	2016				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of period	35,118,120	(34,328,746)	1,722,371	2,129,408	4,641,153
Loss for the period	-	(617,250)	-	(7,189)	(624,439)
Other comprehensive loss for the period	-	-	(28,879)	(36,137)	(65,016)
Total comprehensive loss for the period	-	(617,250)	(28,879)	(43,326)	(689,455)
Transactions with equity holders in their capacity as equity holders					
Issues of share capital	30,000	-	-	-	30,000
Equity raising costs	(1,654)	-	-	-	(1,654)
Total transactions with equity holders in their capacity as equity holders	28,346	-	-	-	28,346
Balance at the end of the period	35,146,466	(34,945,996)	1,693,492	2,086,082	3,980,044

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM FINANCIAL REPORT

1. REPORTING ENTITY

Red Sky Energy Ltd is a company domiciled in Australia. The consolidated half year financial statements of the Company as at and for the six months ending 30 June 2017 comprises Red Sky Energy Ltd and its subsidiaries (together referred to as the "consolidated entity" or "Group") and the consolidated entities interests in associated and jointly controlled entities.

The annual financial report of the entity as at and for the year ended 31 December 2016 is available upon request from the Red Sky Energy website www.redskyenergy.com.au, the ASX website or the Company's registered office at Level 17, 500 Collins Street, Melbourne, Victoria, Australia 3000.

2. STATEMENT OF COMPLIANCE

The consolidated half year financial statements are general purpose financial statements which have been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated half year financial statements do not include all of the notes and information normally included in annual financial statements. Accordingly this report should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2016 and any public announcements made by Red Sky Energy Ltd during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in the consolidated half year financial statements are the same as those applied by the consolidated entity in its consolidated financial statements for the year ended 31 December 2016. Comparative figures have been adjusted to conform to changes in presentation for the current period.

4. ESTIMATES

The preparation of the half year financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the consolidated half year financial statements the judgments made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

5. GOING CONCERN

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Material matter – the consolidated entity's financial position

- As at 30 June 2017, current liabilities of the consolidated entity exceeded current assets by \$921,847 (31 December 2016: \$758,673);
- The consolidated entity incurred a loss of \$401,499 (2016: loss \$624,439); and
- Net cash outflows from operating activities were \$287,265 (2016: net outflow \$102,836) for the half year ended 30 June 2017.

This matter indicates the existence of a material uncertainty which may cast doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern after consideration of the following facts:

- On 21 July 2017, the convertible notes liability of \$1,150,000 was converted into equity (refer to Note 10);
- The Directors have reviewed the cashflow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the consolidated entity will be capable of meeting its minimum expenditure commitments and that it has the ability to meet its debts as and when they fall due; and
- The Directors believe there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise. These include current efforts to raise at least \$500,000 under a rights issue.

Accordingly, the directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. Although the Directors believe they will be successful in these measures, there remains a material uncertainty that may cast significant doubt on the Consolidated entity's ability to continue as a going concern and therefore its ability to realise assets and extinguish liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

6. SEGMENT INFORMATION

The Group has identified its operating segments based on internal reports reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Based on these reports, management has determined the Company has one operating segment, being the exploration and development of properties in the oil and gas industry.

Geographical areas - The Group's exploration assets are located in the United States.

7. CONVERTIBLE NOTES

The Company issued 1,150,000 in unsecured convertible notes ("Convertible Notes") at a face value of \$1.00 each. These Convertible Notes had a repayment date (if not converted) of 30 June 2018 with an interest rate of 8%. Interest is payable in Shares, subject to the Company receiving shareholder approval, if required, at 80% of the 5 day volume weighted average price of the Company's Shares at the end of each calendar month. The Convertible Notes were convertible into Shares at any time on or before the repayment date at the election of the Noteholder or the Company. The conversion price was equal to the lower of \$0.005 or 80% of the volume weighted average price for Shares calculated over the 5 days on which sales in the Shares are recorded before the day on which the issue is made. Each share issued upon conversion of a Convertible Note is issued together with one free attaching Option exercisable at 1.0 cent each on or before 30 November 2019 for every two Shares issued.

On 21 July 2017, the conversion of the Convertible Notes (including capitalised interest) occurred. A total of 385,321,780 ordinary fully paid Shares were issued at 0.3117 cents per Share, along with 184,470,478 free attaching Options to acquire Shares at 1 cent each on or before 30 November 2019 (refer to Note 10).

Accounting Policy

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised either as a liability or included in shareholders' equity, net of income tax effects depending on the terms of the conversion option.

8. EQUITY SECURITIES ISSUED

	Half year 30 June 2017	Half year 30 June 2016
	\$	\$
a) Issued Capital		
Opening balance – 6,161,396,921 ordinary shares (2016: 5,798,056,921)	35,646,476	35,118,120
Share issues during the half year:		
- 30,000,000 shares issued @ \$0.001	-	30,000
- Equity raising costs	-	(1,654)
Consolidation of share capital 1 for 50 (reduction 6,038,168,796)	-	-
- 67,678,004 shares to creditors	94,366	-
- 32,500,000 shares issued @ \$0.004	130,000	-
Transfer from reserves (Performance Rights)	180,000	-
Closing Balance – 223,406,129 ordinary shares (2016: 5,828,056,921)	36,050,842	35,146,466

b) Options

Expiry Date	Exercise Price (cents)	Number on issue – Dec 2016	Issued during the half year	Lapsed during half year	Exercised during half year	Number on issue - June 2017
30/11/2019	1.00	-	63,839,002	-	-	63,839,002
Total		-	63,839,002	-	-	63,839,002

9. LOSS PER SHARE

	Half year 30 June 2017	Half year 30 June 2016
	\$	\$
Net loss	(401,499)	(617,250)
Basic earnings per share (EPS) (cents)	(0.23)	(0.53)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS (post consolidation)	158,158,640	116,216,876
Dilutive EPS is not adjusted as it would result in a reduction of the loss per share.	(0.25)	(0.53)

10. EVENTS SUBSEQUENT TO BALANCE DATE

On 21 July 2017, the conversion of the Convertible Notes (including capitalised interest) occurred. A total of 385,321,780 ordinary fully paid Shares were issued at 0.3117 cents per Share, along with 184,470,478 free attaching Options to acquire Shares at 1 cent each on or before 30 November 2019.

On 22 August 2017, ROG announced the disposal of its 50% interest in the Cache Oilfield, Colorado, USA for nominal consideration.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

11. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

DIRECTORS DECLARATION

FOR THE HALF YEAR ENDED 30 JUNE 2017

In the opinion of the directors of Red Sky Energy Ltd ("the Company"):

1. the financial statement and notes set out on pages 5 to 11, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



.....
Clinton Carey
Director

11 September 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****RED SKY ENERGY LIMITED**

We have reviewed the accompanying half-year financial report of Red Sky Energy Limited which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Red Sky Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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RSM Australia Partners ABN 36 965 185 036

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Red Sky Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Sky Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year then ended; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion expressed above, we draw attention to Note 5 - Going Concern in the half-year financial report which indicates that the consolidated entity reported a deficit of working capital at 30 June 2017 of \$921,847 (30 June 2016: \$758,673), an operating loss of \$401,499 (2016: \$624,439) and net cash outflows from operating activities of \$287,265 for the six month period ended 30 June 2017 (2016: net cash outflows of \$102,836). These conditions, along with other matters as set forth in Note 5 - Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise assets and discharge liabilities in the normal course of business.



RSM AUSTRALIA PARTNERS



P T SEXTON

Partner

11 September 2017
Melbourne, Victoria