



# Red Sky Energy Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2020

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE RED SKY ENERGY FULL YEAR REPORT DATED 31 DECEMBER 2019 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 2020.

### 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 Andrew Knox	Managing Director
Mr Adrien Wing	Non-Executive Director
Mr Clinton Carey	Non-Executive Director
Mr Gordon Ramsay	Non-Executive Chairman (resigned 27 April 2020)

### Company Secretaries

Mr Adrien Wing  
Ms Pauline Moffatt

### 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 2020 after income tax amounted to \$333,976 (30 June 2019: loss \$836,234).

### Review of Activities

### Highlights

- **Santos progresses plans to fast-track drilling at Innamincka.**
- **Planned workover at Gold Nugget field.**

### Innamincka Dome, Cooper Basin

The directors are pleased to provide an update on the work programme review by Cooper Basin operator Santos Ltd (ASX:STO) in relation to Red Sky's onshore Cooper Basin retention licences PRL 14, 17, 18, 180, 181 and 182, collectively known as the Innamincka Dome Projects.

#### During the half-year Santos received the following:

Documents have been received from the Minister to vary and suspend certain conditions and extend the term of the Innamincka Petroleum Retention Licences (PRLs) in order to more efficiently coordinate their management.

These variation documents alter the conditions of the licences whereby the six PRLs now comprise a Group Subject Area so that any expenditure for one PRL applies to the overall expenditure target across all six licenses. This provides additional time for further evaluation of the outer blocks (PRL 180, 181 & 182) where Red Sky sees significant oil and gas potential.

#### Activities focussed on the evaluation of the Yarrow gas field (PRL 17) are to include:

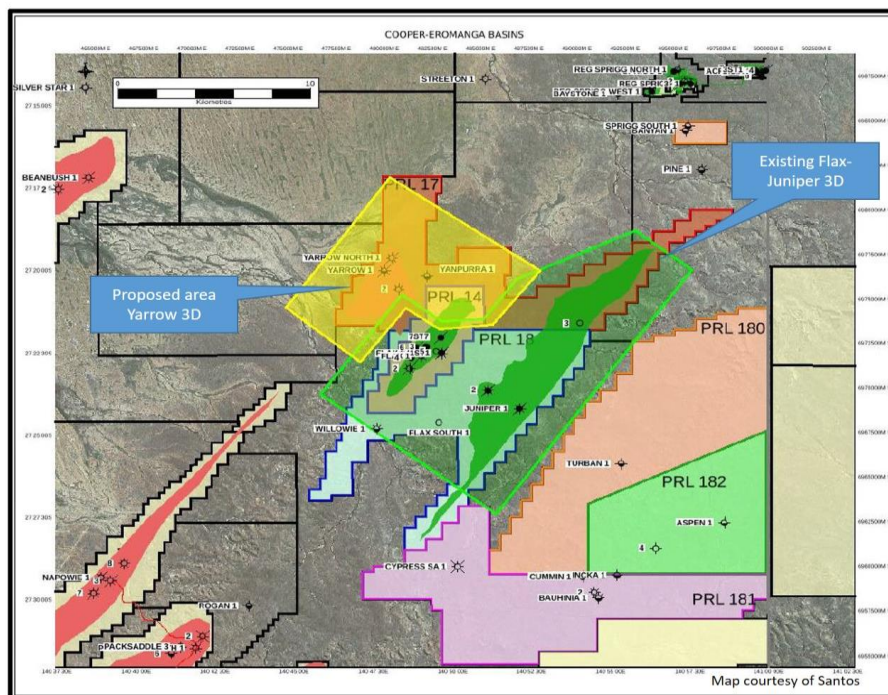
Acquisition of 50km<sup>2</sup> of 3D seismic over the Yarrow gas field (PRL 17) which will be coordinated with other Santos Cooper Basin seismic acquisition activities. Red Sky expects this will reduce costs significantly.

Drilling of the Yarrow gas field (PRL 17) appraisal well was planned to take place following the acquisition, processing and interpretation of the new Yarrow 3D seismic data. Due to delays in the timing of the 3D seismic acquisition the operator is progressing the potential drilling of a well using existing 2D seismic. Planning is underway to reprocess the existing 2D seismic to optimise a drilling location.

### Santos Farm Out Terms

Santos to earn an 80% interest and operatorship (ROG: 20%) in Red Sky's onshore Cooper Basin retention licences PRL 14, 17, 18, 180, 181 and 182, collectively known as the Innamincka Dome Projects. The terms provide for Santos to:

- Fund 100% of 50km2 of 3D seismic over the existing Yarrow gas field in PRL 17, up to a maximum cost of A\$1.0 million.
- Fund 100% of an appraisal well in the Yarrow gas field in PRL 17 up to a maximum gross cost of A\$3.0 million.
- Fund 100% of a horizontal appraisal well in the Flax oil and gas field in PRL 14, up to a maximum gross cost of A\$5 million.
- Subject to satisfactory appraisal outcomes, initially fund 100% of any approved development of the fields, with Santos to be repaid for Red Sky's share of such development expenditure out of Red Sky's share of production.



Location map: Innamincka Dome PRLs.

### Gold Nugget Gas Field

In the second half of 2019 Red Sky purchased the feeder gas line from the field to the main trunk line, invested in a second separator and a methanol injector system.

The Company advises that during the half-year production recommenced and has settled at an average 20MCFD. The Company is disappointed in this production rate and continues to have water break through problems curtailing production. The Company intends to perforate higher up the well to improve production.

### Corporate

Mr Gordon Ramsay, with regret, resigned effective 27 April 2020 as non-executive Chairman of the Company, due to his acceptance of a full-time position in the industry.

Post the end of the half-year the Company issued 400,000,000 shares at an issue price of 0.1 cents (\$0.001) raising \$400,000 before costs.

### COVID-19 Update

Due to the current ongoing pandemic, staff are continuing to work remotely and preserve their ability to move when necessary.

The Company continues to actively review further acquisition opportunities in Australia and overseas.

### Andrew Knox, Managing Director

"The first half of calendar year 2020 continued to be challenging for the oil and gas industry both domestically and globally. However, we are encouraged by the improvement in prices and that activity is ramping up and recalibrating to return to a new paradigm of normality with the world gradually opening back up.

We have focused hard on reducing costs where we can but have had to make a \$400,000 placement post the end of the half year to augment our working capital requirements.

The core aspect of our growth strategy is to capitalise on the number of value accretive acquisition production opportunities that continue to present themselves, whether undeveloped or underperforming. Whilst relatively small our expertise both internally and what is available to us externally, combined with being nimble is a key differential in our ability to deliver; and we are working consistently to progress these as expeditiously as possible

The Company thanks shareholders for their patience and continued support of our strategy to develop into a material full cycle E&P company."

*Various statements in this report constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.*

*Some of the more important of these risks, expectations and uncertainties are pricing and production levels from the properties in which the consolidated entity has interests and the extent of the recoverable reserves at those properties. In addition, the consolidated entity has a number of exploration permits. Exploration for oil and gas is expensive, speculative and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional advisor as to the suitability for them of an investment in the Company.*

### Subsequent Events

On 4 August 2020, the Company issued 400,000,000 shares at an issue price of 0.1 cents (\$0.001) raising \$400,000 before costs.

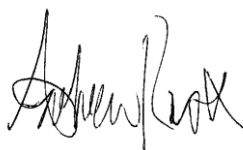
No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### 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 2020. The written Auditor's Independence Declaration is set out in the following page of this report.

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

On behalf of the Directors



Andrew Knox  
Managing Director  
10 September 2020

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the interim financial report of Red Sky Energy Limited for the half year ended 30 June 2020, 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.

A handwritten signature in blue ink, appearing to read 'J S Croall'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to read 'J S Croall'.

**J S CROALL**  
Partner

Dated: 10 September 2020  
Melbourne, Victoria

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## FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2020

	Notes	Half Year End 30/06/2020 \$	Half Year End 30/06/2019 \$
Interest revenue		326	45
Other income		89,747	-
Administrative and travel expenses		(122,893)	(174,398)
Directors and employee remuneration		(268,636)	(271,148)
Legal fees		(15,065)	(28,207)
Finance costs		(17,455)	(82,526)
Finance costs – share based payment		-	(100,000)
Exploration acquisition costs – share based payment		-	(180,000)
<b>Loss from continuing activities before income tax</b>		<b>(333,976)</b>	<b>(836,234)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(333,976)</b>	<b>(836,234)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation		20,407	2,861
<b>Total comprehensive loss for the period, net of tax</b>		<b>(313,569)</b>	<b>(833,373)</b>
<b>Basic and diluted (loss) per share (cents)</b>	9	(0.02)	(0.08)

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 2020

	Notes	30 June 2020 \$	31 December 2019 \$
<b>Current Assets</b>			
Cash and cash equivalents		35,632	119,329
Receivables		48,109	22,846
Prepayments		6,722	56,454
<b>Total Current Assets</b>		<b>90,463</b>	<b>198,629</b>
<b>Non Current Assets</b>			
Other financial assets	7	22,350	22,037
Exploration and evaluation		1,142,206	1,116,094
Property, plant and equipment		1,397	2,216
<b>Total Non Current Assets</b>		<b>1,165,953</b>	<b>1,140,347</b>
<b>Total Assets</b>		<b>1,256,416</b>	<b>1,338,976</b>
<b>Current Liabilities</b>			
Trade and other payables		412,423	302,984
Provisions		27,877	19,318
Borrowings		394,000	314,322
<b>Total Current Liabilities</b>		<b>834,300</b>	<b>636,624</b>
<b>Total Liabilities</b>		<b>834,300</b>	<b>636,624</b>
<b>Net Assets</b>		<b>422,116</b>	<b>702,352</b>
<b>Equity</b>			
Issued share capital	8	39,967,552	39,967,552
Reserves		317,998	264,258
Accumulated losses		(39,863,434)	(39,529,458)
<b>Total Equity</b>		<b>422,116</b>	<b>702,352</b>

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 2020

	Notes	Half Year End 30/06/2020 \$	Half Year End 30/06/2019 \$
<b>Cash flows from operating activities</b>			
Receipts from Government COVID-19 stimulus		24,204	-
Payments to suppliers (GST inclusive) and employees		(172,378)	(237,835)
Interest received		13	45
Interest paid		(1,645)	(25,050)
<b>Net cash used in operating activities</b>		<b>(149,806)</b>	<b>(262,840)</b>
<b>Cash flows from investing activities</b>			
Exploration and evaluation costs		(5,705)	(13,266)
Payments for deposits		-	(800,108)
<b>Net cash used in investing activities</b>		<b>(5,705)</b>	<b>(813,374)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		119,000	1,550,000
Payments for borrowing costs		-	(32,000)
Repayment of borrowings		(47,186)	(802,550)
Proceeds from issues of shares		-	342,000
Payments for share issue costs		-	(36,245)
<b>Net cash flows provided by financing activities</b>		<b>71,814</b>	<b>1,021,205</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(83,697)</b>	<b>(55,009)</b>
<b>Cash and cash equivalents at the beginning of the half year period</b>		<b>119,329</b>	<b>90,801</b>
<b>Cash and cash equivalents at the end of the half year period</b>		<b>35,632</b>	<b>35,792</b>

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 2020

Consolidated	2020			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
Balance at beginning of period	39,967,552	(39,529,458)	264,258	702,352
Loss for the period	-	(333,976)	-	(333,976)
Other comprehensive income for the period	-	-	20,407	20,407
Total comprehensive loss for the period	-	(333,976)	20,407	(313,569)
<b>Transactions with equity holders in their capacity as equity holders</b>				
Share based payments - Performance Rights	-	-	33,333	33,333
Total transactions with equity holders in their capacity as equity holders	-	-	33,333	33,333
Balance at the end of the period	39,967,552	(39,863,434)	317,998	422,116
Consolidated	2019			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
Balance at beginning of period	38,302,284	(37,805,651)	252,075	748,708
Loss for the period	-	(836,234)	-	(836,234)
Other comprehensive income for the period	-	-	2,861	2,861
Total comprehensive loss for the period	-	(836,234)	2,861	(833,373)
<b>Transactions with equity holders in their capacity as equity holders</b>				
Issues of share capital	753,948	-	-	753,948
Capital raising costs	(13,680)	-	-	(13,680)
Total transactions with equity holders in their capacity as equity holders	740,268	-	-	740,268
Balance at the end of the period	39,042,552	(38,641,885)	254,936	655,603

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 2020 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 2019 is available upon request from the Red Sky Energy website [www.redskyenergy.com.au](http://www.redskyenergy.com.au), the ASX website or the Company's registered office at Level 2, 480 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 2019 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 2019. 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 2019.

### 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.

The consolidated entity incurred a loss of \$333,976 and had net cash outflows from operating activities of \$149,806 for the half year ended 30 June 2020. In addition, as at 30 June 2020, the consolidated entity had net current liabilities of \$743,837. The various matters detailed above give rise to the existence of a material uncertainty that cast significant doubt on the ability of the group to continue as a going concern.

Notwithstanding this, the Directors are satisfied that the consolidated entity will have sufficient cash resources to meet its working capital requirements in the future. 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 has the ability to meet its debts as and when they fall due. The Directors believe there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise including:

- As described in note 9, *Events Subsequent to Balance Date*, the company raised \$400,000 before costs via an issue of 400,000,000 shares at an issue price of 0.1 cents;
- The consolidated entity expects to raise funds through future capital raisings;
- Managing and reducing operational costs to a minimum level; and
- Consideration of re-arranging agreements on existing projects through sale or deferring expenditure.

On the basis that sufficient cash inflows are expected to be raised from future capital raisings to fund further activities for at least 12 months after the date of this report, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate. Although the Directors believe they will be successful in these measures, there remains a material uncertainty that may cast significant doubt on the Company and its controlled entities' ability to continue as a going concern and therefore their 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 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 non-current assets are located in the United States and Australia as follows:

- United States \$1,139,983 (31 December 2019: \$1,113,871)
- Australia \$25,970 (31 December 2019: \$26,476)

## 7. EQUITY SECURITIES ISSUED

	Half year 30 June 2020
	\$
a) Issued Capital	
1,626,183,277 ordinary shares	39,042,552

There were no ordinary shares issued during the half-year.

On 4 August 2020, the Company issued 400,000,000 shares at an issue price of 0.1 cents (\$0.001) raising \$400,000 before costs.

### b) Options

There are no Options currently on issue.

## 8. LOSS PER SHARE

	Half year 30 June 2020	Half year 30 June 2019
	\$	\$
Net loss	(333,976)	(836,234)
Basic earnings per share (EPS) (cents)	(0.02)	(0.08)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	1,626,183,277	1,005,468,630
Dilutive EPS is not adjusted as it would result in a reduction of the loss per share.	(0.02)	(0.08)

## 9. EVENTS SUBSEQUENT TO BALANCE DATE

On 4 August 2020, the Company issued 400,000,000 shares at an issue price of 0.1 cents (\$0.001) raising \$400,000 before costs.

No other matter or circumstance has arisen since 30 June 2020 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.

## 10. CONTINGENT LIABILITIES

The Company may issue a further 100 million fully paid ordinary shares in the Company to Taylor Collison upon the Innamincka Dome Project having 3 successive months of profitability (defined as positive EBITDA for the Company at a project level and for the avoidance of doubt excluding any corporate overhead). The issue of these shares is subject to shareholder approval, if required (see ASX announcement dated 10 July 2018).

There are no other contingent liabilities.

## DIRECTORS DECLARATION

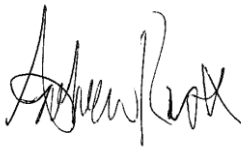
### FOR THE HALF YEAR ENDED 30 JUNE 2020

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

1. the financial statement and notes set out on pages 6 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 2020 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:



Andrew Knox  
Managing Director

10 September 2020

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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 consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 2020 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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### *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 2020 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*.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 5 to the financial statements, which indicates that as at 30 June 2020 the consolidated entity had net current liabilities of \$743,837. In addition, during the half year ended 30 June 2020 the consolidated entity incurred a net loss of \$333,976 and reported net cash outflows from operating activities of \$149,806. These conditions, along with other matters as set forth in Note 5 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



**RSM AUSTRALIA PARTNERS**



**J S CROALL**  
Partner

Dated: 10 September 2020  
Melbourne, Victoria