



Red Sky Energy Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2021

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE RED SKY ENERGY FULL YEAR REPORT DATED 31 DECEMBER 2020 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 2021.

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 Robert Annells	Non-Executive Chairman (appointed 8 February 2021)
Mr Andrew Knox	Managing Director
Mr Adrien Wing	Non-Executive Director
Mr Clinton Carey	Non-Executive Director (resigned 16 April 2021)

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 2021 after income tax amounted to \$362,449 (30 June 2020: loss \$333,976).

Review of Activities

Highlights during the period were as follows:

- Successful capital raising of \$4.3M rights issue shortfall and placement. Proceeds are being used to underpin the work programmes across the Killanoola Project.
- Field work has commenced on the Killanoola Project and the acquisition was completed. A new petrophysical analysis identified an additional thirty seven (37) metres of potential Net Pay in the Killanoola – 1DW-1 well - in addition to the existing 5 metres of proven pay. Inspection of surface pump Killanoola -1 DW-1 indicated surface pump in excellent condition. Preparations continue for all new oil-bearing zones to be tested in both Killanoola-1DW-1 and Killanoola SE-1. Future geological and geophysical studies will integrate these findings into new reservoir and structure models. The application to test wells at Killanoola remains pending. Expectations remain high for significant reserve growth in PRL13.
- 6.4m barrels of oil-equivalent potential contingent resources over all permits net to Red Sky. A strong outlook remains for significant reserve growth from highly prospective tenement acreage.
- A new Chairman, Mr Robert Annells, and Reservoir Engineer appointments occurred during the period.

Subsequent Events

On 29 July 2021, the Company announced it received approval from the Government of South Australia to commence operations at the Killanoola Oil Project located in the Penola Trough, South Australia.

The Company successfully completed testing of the rods at the Killanoola Oil Project and confirmed they are free moving and fit for purpose.

The Company completed a placement and issued 401,780,000 fully paid ordinary shares at a price of \$0.008 per share raising \$3.214 million before costs. A Share Purchase Plan at a price of \$0.008 per share was offered to eligible shareholders resulting in 230,275,000 fully paid ordinary shares issued raising \$1.842 million before costs. The Company completed a further placement and issued 8,750,000 fully paid ordinary shares at a price of \$0.008 per share raising \$70,000.


No other matter or circumstance has arisen since 30 June 2021 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 2021. 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
9 September 2021

RSM Australia Partners

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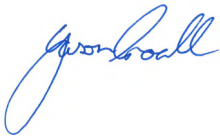
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the interim financial report of Red Sky Energy Limited for the half year ended 30 June 2021, 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



J S CROALL
Partner

Dated: 9 September 2021
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 2021

	Notes	Half Year End 30/06/2021 \$	Half Year End 30/06/2020 \$
Interest revenue		1,904	326
Bond refund		275,000	-
Other income		23,000	89,747
Total Revenue		299,904	90,073
Expenses:			
Administrative expenses		(323,917)	(122,893)
Directors and employee remuneration		(283,044)	(268,636)
Legal fees		(39,288)	(15,065)
Exploration costs expensed		(10,938)	-
Finance costs		(5,166)	(17,455)
Loss from continuing activities before income tax		(362,449)	(333,976)
Income tax expense		-	-
Loss for the period		(362,449)	(333,976)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation		-	20,407
Total comprehensive loss for the period, net of tax		(362,449)	(313,569)
Basic and diluted (loss) per share (cents)	8	(0.01)	(0.02)

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 2021

	Notes	30 June 2021 \$	31 December 2020 \$
Current Assets			
Cash and cash equivalents		3,044,140	786,926
Receivables		29,325	23,206
Prepayments		29,404	73,254
Total Current Assets		3,102,869	883,386
Non Current Assets			
Other financial assets		822,350	22,350
Exploration and evaluation assets		198,756	2,223
Property, plant and equipment		38,323	766
Total Non Current Assets		1,059,429	25,339
Total Assets		4,162,298	908,725
Current Liabilities			
Trade and other payables		134,542	534,394
Provisions		74,453	38,449
Borrowings		-	341,204
Total Current Liabilities		208,995	914,048
Total Liabilities		208,995	914,048
Net Assets		3,953,303	(5,323)
Equity			
Issued share capital	7	45,286,580	41,091,810
Reserves		337,752	211,447
Accumulated losses		(41,671,029)	(41,308,580)
Total Equity		3,953,303	(5,323)

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 2021

	Notes	Half Year End 30/06/2021	Half Year End 30/06/2020
		\$	\$
Cash flows from operating activities			
Receipts from Government COVID-19 stimulus		-	24,204
Receipts from Government grants		25,300	-
Payments to suppliers (GST inclusive) and employees		(869,450)	(172,378)
Interest received		1,367	13
Interest paid		(39,901)	(1,645)
Net cash used in operating activities		(882,684)	(149,806)
Cash flows from investing activities			
Exploration and evaluation costs		(166,147)	(5,705)
Payments for plant and equipment		(41,591)	-
Payments for deposits		(800,000)	-
Proceeds from bond refund		275,000	-
Net cash used in investing activities		(732,738)	(5,705)
Cash flows from financing activities			
Proceeds from borrowings		-	119,000
Repayment of borrowings		(341,204)	(47,186)
Proceeds from issues of shares		4,450,000	-
Proceeds from issues of options		500	-
Payments for share issue costs		(236,660)	-
Net cash flows provided by financing activities		3,872,636	71,814
Net (decrease)/increase in cash and cash equivalents		2,257,214	(83,697)
Cash and cash equivalents at the beginning of the half year period		786,926	119,329
Cash and cash equivalents at the end of the half year period		3,044,140	35,632

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 2021

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)
Transactions with equity holders in their capacity as equity holders				
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	2021			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
Balance at beginning of period	41,091,810	(41,308,580)	211,447	(5,323)
Loss for the period	-	(362,449)	-	(362,449)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(362,449)	-	(362,449)
Transactions with equity holders in their capacity as equity holders				
Issues of share capital	4,489,000	-	-	4,489,000
Issues of options	-	-	52,500	52,500
Conversion of performance shares	37,000	-	(37,000)	-
Performance rights	-	-	26,805	26,805
Capital raising costs	(331,230)	-	84,000	(247,230)
Total transactions with equity holders in their capacity as equity holders	4,194,770	-	126,305	4,321,075
Balance at the end of the period	45,286,580	(41,671,029)	337,752	3,953,303

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 2021 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 2020 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 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 2020 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 2020. 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 2020.

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.

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.

7. EQUITY SECURITIES ISSUED

(a) Share Capital

	2021
	\$
4,641,422,197 fully paid ordinary shares (31 December 2020: 2,431,922,197)	45,286,580
<i>Movements during the half-year:</i>	
Opening balance at beginning of the half-year	41,091,810
Shares issued during the half-year	
29.1.2021 – 2,150,000,000 shares issued @ \$0.002	4,300,000
29.1.2021 – 19,500,000 shares issued @ \$0.002 to satisfy broker fees	39,000
9.4.2021 – 30,000,000 shares issued upon exercise of Options at \$0.005 each	150,000
14.5.2021 – 10,000,000 shares issued to A Knox upon achievement of performance rights	37,000
Equity Raising Expenses	(331,230)
	45,286,580

(b) Options

There were 70,000,000 unlisted Options exercisable at \$0.005 on or before 31 January 2023 issued during the period as part consideration for broker fees. On 9 April 2021 30,000,000 Options were exercised. As at 30 June 2021, 40,000,000 unlisted Options remain on issue.

8. LOSS PER SHARE

	Half year 30 June 2021	Half year 30 June 2020
	\$	\$
Net loss	(362,449)	(333,976)
Basic earnings per share (EPS) (cents)	(0.01)	(0.02)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	4,282,217,777	1,626,183,277
Dilutive EPS is not adjusted as it would result in a reduction of the loss per share.	(0.01)	(0.02)

9. EVENTS SUBSEQUENT TO BALANCE DATE

On 29 July 2021, the Company announced it received approval from the Government of South Australia to commence operations at the Killanoola Oil Project located in the Penola Trough, South Australia.

The Company successfully completed testing of the rods at the Killanoola Oil Project and confirmed they are free moving and fit for purpose.

The Company completed a placement and issued 401,780,000 fully paid ordinary shares at a price of \$0.008 per share raising \$3.214 million before costs. A Share Purchase Plan at a price of \$0.008 per share was offered to eligible shareholders resulting in 230,275,000 fully paid ordinary shares issued raising \$1.842 million before costs. The Company completed a further placement and issued 8,750,000 fully paid ordinary shares at a price of \$0.008 per share raising \$70,000.

No other matter or circumstance has arisen since 30 June 2021 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.

DIRECTORS DECLARATION


FOR THE HALF YEAR ENDED 30 JUNE 2021

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 10, 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 2021 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

9 September 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Red Sky Energy Limited

Report on the Half-Year Financial Report

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 2021, 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 internal control as the directors those charged with governance 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 half-year 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 2021 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.

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 report.

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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 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

Dated: 9 September 2021
Melbourne, Victoria

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