



Red Sky Energy Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2014

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE RED SKY ENERGY FULL YEAR REPORT DATED 31 DECEMBER 2013 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.

Contents

DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	4
FINANCIAL REPORT.....	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE INTERIM FINANCIAL REPORT.....	9
INDEPENDENT AUDITOR'S REVIEW REPORT	133

For personal use only

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 2014.

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 Rohan Gillespie	Managing Director
Mr Adrien Wing	Non Executive Director (appointed 7 March 2014)
Mr Gerrit de Nys	Non Executive Chairman (resigned 8 May 2014)

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 and the development of solar power energy projects. 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 2014 after income tax amounted to \$541,015 (30 June 2013: loss \$727,575).

Dividends Paid or Recommended

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend.

Review of Operations

Summary

- Red Sky's solar energy business, Soleir, and the Dubbo Solar One Project, are stalled until uncertainty with respect to Federal Government renewable policy is clarified;
- Red Sky sold its interests in the Clarence Moreton Basin. Further opportunities in onshore gas were assessed.

Solar Opportunity

Red Sky acquired solar energy company, Soleir Limited ("Soleir"), in November 2012 (see ASX announcement, 28 November 2012). Soleir is a developer of utility scale photovoltaic (PV) solar power projects, and its first project is in the major regional city of Dubbo in central NSW.

Funding Structure

The proposed funding structure provides for unitised ownership that will allow individuals to participate in the business and invest in the Dubbo Solar One Project. A product ruling in relation to the proposed funding structure was issued by the Australian Taxation Office on 12th March 2014.

Status

The Federal Government has an ongoing review of the Renewable Energy Target. Given this uncertainty, progress on the Soleir business and the Dubbo Solar One Project is very difficult.

Onshore Gas

The 20% interest in permits PEL 479 and 457 in the Clarence Moreton Basin were sold to ERM Power.

The Company is actively assessing onshore gas opportunities in jurisdictions where the regulatory framework is more balanced and based on rigorous risk assessment.

Subsequent Events

No significant events have occurred subsequent to balance date.

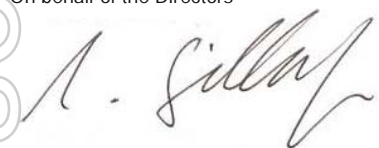
Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditors, RSM Bird Cameron 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 2014. The written Auditor's Independence Declaration is attached to the Auditor's Independent Review Report to the members and forms part of this Director's 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



Rohan Gillespie
Managing Director
11 September 2014

For personal use only

RSM Bird Cameron Partners
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 8000 F +61 3 9286 8299
www.rsmi.com.au

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 2014, 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 BIRD CAMERON PARTNERS



J S CROALL
Partner

Dated: 11 September 2014
Melbourne, Victoria

FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2014

	Notes	Half Year End 30/06/2014 \$	Half Year End 30/06/2013 \$
Research and development grant		143,934	-
Interest revenue		4,817	3,880
Other income		1,666	-
Administrative expenses		(174,269)	(171,328)
Consultancy		(241,973)	(238,550)
Director fees		(211,261)	(215,600)
Legal fees		(27,567)	(21,459)
Exploration costs impaired		(36,364)	(141,218)
Loss from continuing activities before income tax		(541,015)	(784,275)
Income tax (expense)/benefit		-	56,700
Loss for the period		(541,015)	(727,575)
Other comprehensive income		-	-
Total comprehensive loss for the half year		(541,015)	(727,575)
Basic and diluted (loss) per share (cents)	9	(0.03)	(0.04)
Basic and diluted (loss) per share- continuing operations (cents)	9	(0.03)	(0.04)

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 2014

	Notes	30 June 2014 \$	31 December 2013 \$
Current Assets			
Cash and cash equivalents		599,942	571,364
Receivables		454,817	45,252
Other financial assets		20,000	-
Prepayments		19,268	43,510
Non current assets held for sale	7	-	1,250,000
Total Current Assets		1,094,027	1,910,126
Non Current Assets			
Other financial assets		-	41,000
Intangibles		991,797	893,255
Total Non Current Assets		991,797	934,255
Total Assets		2,085,824	2,844,381
Current Liabilities			
Trade and other payables		63,792	101,898
Accrued expenses		89,901	269,337
Total Current Liabilities		153,693	371,235
Total Liabilities		153,693	371,235
Net Assets		1,932,131	2,473,146
Equity			
Issued share capital	8	31,505,176	31,505,176
Reserves		1,490,000	1,490,000
Accumulated losses		(31,063,045)	(30,522,030)
Total Equity		1,932,131	2,473,146

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 2014

	Notes	Half Year End 30/06/2014 \$	Half Year End 30/06/2013 \$
Cash flows from operating activities			
Payments to suppliers and employees		(724,211)	(629,419)
Receipts from other income		1,833	-
GST received on exploration farm out		-	100,000
Interest received		3,985	3,880
Net cash (used in) operating activities		(718,393)	(525,539)
Cash flows from investing activities			
Proceeds from sale of interest in permits		1,000,000	1,000,000
Solar technology expenditure		(91,465)	(193,600)
Exploration and evaluation costs		(15,364)	(91,250)
Acquisition of Soleir Pty Ltd – deferred consideration		(146,200)	-
Net cash provided by investing activities		746,971	715,150
Cash flows from financing activities			
Capital raising costs		-	(1,500)
Net cash flows provided by / (used in) financing activities		-	(1,500)
Net increase in cash and cash equivalents		28,578	188,111
Cash and cash equivalents at the beginning of the half year period		571,364	1,111,429
Cash and cash equivalents at the end of the half year period		599,942	1,299,540

An amount of \$217,500 included in the above balance of \$599,942 as at year end was restricted to expenditure on PEL 479 under the terms of an agreement with ERM Power Ltd. Refer to Note 7 for details on the sale of this permit interest during the period.

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 2014

	Half Year Ended 30/06/2014				Half Year Ended 30/06/2013			
	\$				\$			
	Issued Capital	Accumulated Losses	Option Reserve	Total Equity	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at beginning of the half year	31,505,176	(30,522,030)	1,490,000	2,473,146	31,426,676	(27,830,037)	1,490,000	5,086,639
Comprehensive loss for the half year	-	(541,015)	-	(541,015)	-	(727,575)	-	(727,575)
Total comprehensive loss for the half year	-	(541,015)	-	(541,015)	-	(727,575)	-	(727,575)
Transactions with equity holders in their capacity as equity holders								
Issues of share capital	-	-	-	-	80,000	-	-	80,000
Equity raising costs	-	-	-	-	(1,500)	-	-	(1,500)
Total transactions with equity holders in their capacity as equity holders	-	-	-	-	78,500	-	-	78,500
Balance at the end of the half year	31,505,176	(31,063,045)	1,490,000	1,932,131	31,505,176	(28,557,612)	1,490,000	4,437,564

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 2014 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 2013 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 2013 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 2013. Comparative figures have been adjusted to conform with 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 2013.

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 \$541,015 (2013: \$727,575) and had net cash outflows from operating activities of \$718,393 (2013: \$525,539) for the half year ended 30 June 2014. Notwithstanding this, the Directors are satisfied that the consolidated entity will have sufficient cash resources to meet its working capital requirements in the future. They 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. The Directors also believe that along with detailed monitoring of the cashflow movements going forward, there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise.

On the basis that sufficient cash inflows are expected to be raised from the receipt of \$250,000 from ERM Power (as disclosed in Note 7 for PEL 479) and future capital raising (pursuant to ASX listing rules 7.1 and 7.1A) to fund the further activities for at least 12 months after the date of this report, the Directors consider the consolidated entity remains a going concern and these financial statements have been prepared on this basis. 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 their assets and extinguish their 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 the internal reports that are 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 that the Company has one operating segment, being the exploration and development of properties for the development of gas and solar energy.

7. NON CURRENT ASSETS HELD FOR SALE

On 8th January 2014, the Company announced it had entered into a sale agreement for its 20% non-operated interest in exploration permits PEL 457 and 479 in the Clarence Moreton Basin to ERM Gas, a wholly owned subsidiary of ERM Power. Details of the transaction are:

- Sale of 20% of PEL 457 for \$250,000 and release of \$217,500 from the Permits Account, payable upon lodgement of transfer documents with the regulator;
- Sale of 20% of PEL 479 for \$250,000 and release of \$217,500 from the Permits Account, payable upon lodgement of transfer documents with the regulator; and
- Upfront payment of \$750,000 in lieu of \$1 million at time of renewal of PEL 479.

The lodgment of transfer documents with the regulator for PEL 479 remains outstanding.

8. EQUITY SECURITIES ISSUED

	Half year 30 June 2014	Half year 30 June 2013
	\$	\$
a) Issued Capital		
Opening balance – 1,680,916,486 ordinary shares (2013: 1,640,916,486)	31,505,176	31,423,676
Share issues during the half year:		
- 40,000,000 shares issued @ \$0.002 - ATP946 termination costs	-	80,000
- Equity raising costs	-	(1,500)
Closing Balance – 1,680,916,486 ordinary shares (2013: 1,680,916,486)	31,505,176	31,505,176

b) Options

Expiry Date	Exercise Price (cents)	Number on issue – Dec 2013	Granted during half year	Lapsed during half year	Exercised during half year	Number on issue - June 2014
18/09/2014	4.00	200,000,000	-	-	-	200,000,000
31/03/2016	2.25	60,000,000	-	-	-	60,000,000
20/12/2016	0.90	100,000,000	-	-	-	100,000,000
Total		360,000,000	-	-	-	360,000,000

Equity Facility

During the 2011 year, the Company entered into a \$3m equity facility with a US-Based Investment Fund, YA Global Master SPV Ltd, that could be drawn down at any time over a 3 year period up until August 2014. The facility was not utilised during the 2014 half-year. The amount of the facility unused as at 30 June 2014 was \$2,646,000 (2013: \$2,646,000). The facility has not been drawn against since 30 June 2014 and has now expired.

9. LOSS PER SHARE

	Half year 30 June 2014	Half year 30 June 2013
	\$	\$
Net loss	(541,015)	(727,575)
Basic earnings per share (EPS) (cents)	(0.03)	(0.04)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	1,680,916,486	1,677,360,930
Dilutive EPS is not adjusted as it would result in a reduction of the loss per share.	(0.03)	(0.04)

10. EVENTS SUBSEQUENT TO BALANCE DATE

No significant events have occurred subsequent to balance date.

11. RELATED PARTY TRANSACTIONS

A director holds a position in another entity that results in them having control or significant influence over the financial or operating policies of that entity.

Entity	Half Year 6 months	Amount \$	Relationship
Energy Infrastructure and Resources Ltd	2014	323,320	Energy Infrastructure and Resources Ltd is a consulting company which invoices the Company for directors' fees and other reimbursement charges for Mr Rohan Gillespie. During the half year Energy Infrastructure and Resources Ltd has also invoiced consulting charges for other personnel. Mr Rohan Gillespie is a director of Energy Infrastructure and Resources Ltd and he is Managing Director of Red Sky Energy Ltd.
	2013	325,845	

12. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

DIRECTORS DECLARATION FOR THE HALF YEAR ENDED 30 JUNE 2014

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 2014 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



Managing Director
Rohan Gillespie

11 September 2014

For personal use only

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 condensed statement of financial position as at 30 June 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 2014 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.

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 2014 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 qualifying 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 an operating loss of \$541,015 and cash outflows from operating activities of \$718,393 for the six month period to 30 June 2014.

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 its assets and discharge its liabilities in the normal course of business.

**RSM BIRD CAMERON PARTNERS**

J S CROALL
Partner

Dated: 11 September 2014
Melbourne, Victoria