



Red Sky Energy Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2016

THE INFORMATION CONTAINED IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE RED SKY ENERGY FULL YEAR REPORT DATED 31 DECEMBER 2015 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	5
FINANCIAL REPORT.....	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	7
CONSOLIDATED STATEMENT OF CASH FLOWS.....	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE INTERIM FINANCIAL REPORT.....	10
INDEPENDENT AUDITOR'S REVIEW REPORT	14

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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 2016.

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 Kerry Smith	Executive Chairman
Mr Clinton Carey	Managing Director
Mr Adrien Wing	Non Executive Director (resigned 22 March 2016)
Mr Russell Krause	Non-Executive Director
Mr William Reinhart	Non-Executive Director

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 2016 after income tax amounted to \$624,439 (30 June 2015: loss \$755,099).

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 Activities

Highlights

- During the Half Year ROG continued development of its second acquisition under its ongoing strategy of building a quality US based portfolio of onshore conventional oil and gas assets.
- The company raised \$350,000AUD by issuing a 15% debt instrument that is 50% convertible to Red Sky stock.
- Red Sky has issued 333,340,000 common shares post balance date to acquire a 70% working interest in the Gold Nugget Gas Field in Wyoming. Once the final \$240,000USD is paid out of cash flows, on a 50/50 split, ROG will complete on the contract and own a 100% Working Interest.
- Compressor installed and fitted at GN #1-23 with encouraging initial production.
- ROG has continued to do environmental development works as required by the Department of Environment at Cache field. Once oil prices recover significantly, the company will look to further its interest in this field.
- The company has significantly advanced its discussions with a vendor for a third acquisition and is presently looking at various avenues to have it financed.

Review of Operations

With the ongoing development of the Gold Nugget Oil and Gas Field (“Gold Nugget”), Red Sky Energy Limited (“the Company” or “ROG”) is fulfilling its business plan of purchasing and developing, producing and profitable US based onshore oil and gas fields, which have significant in ground reserves and are purchased at a significant discount to the capital invested and the known recoverable resources. These assets will provide the Company with good cash flow even in the current price environment, but more importantly will provide the Company with strong leverage into any environment of rising energy prices. The Company continues to locate, analyse and negotiate for acquisition, cash flow positive oil and gas assets. This process is again building momentum with the near completion of due diligence on the company’s third production asset.

Gold Nugget

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 pressure on the natural gas compressor set on the Gold Nugget 1-23 well is beginning to flatten, leading to a stabilised rate of gas production.

Initial daily rates returned thus far have all been above 500 thousand cubic feet per day (mcfpd) with 2 days above 600 mcfpd. The compressor is still being calibrated to establish the maximum production. This will continue through July in order to accurately achieve optimum flow rates.

During the due diligence period Red Sky began optimising the well which showed returns of between 350 – 1600 mcfpd of gas providing approximate revenue of between A\$600,000 and A\$1.2 million per annum. The existing well and associated pipeline cost over \$8 million USD to complete, but ROG was able to purchase this for US\$800,000 which continues to demonstrate the opportunities available to the Company to develop a significant portfolio of quality oil and gas assets.

Gold Nugget covers 320 acres and wells can be drilled at 5 acre spacing’s, with each well expected to contain between 2-5BCF of gas and having an expected production life of between 30 and 50 years. The Gold Nugget has been drilled to 14,000 ft and has 3000 ft of Lance pay zone of which only 10% of the available porosity has been perforated.

A compressor is now installed on the Gold Nugget site and is giving this well a consistent pressure and production rate. Machinery optimisation is undertaken each day to ensure optimal pressure and flow rates with the expected settled flow rate of between 350 and 700mcfpd.

Cache Oilfield

Maintenance and environmental work continued throughout the half in order to keep the lease in good stead. There has been some delays in the Federal and native approvals for this field due a further requirement for an old production well to be plugged prior to any new drilling licenses being granted. However whilst there have been permitting delays at Cache, the board has determined in the current environment it is more prudent to acquire further production rather than be exposed to just exploration and development at Cache. As such it is the intention of the board to keep this field on care and maintenance until there is further stability and the oil price improves before investing in the development of any new wells at Cache.

Cache was discovered in 1964 by Amoco and is located in the Paradox Basin, Montezuma County, Colorado, USA. The field covers 1,840 acres and is 16kms east of the Greater Aneth Field (1.5bn barrels original oil in place (“OOIP”) & peak production of 100,000 BOPD). Production records indicate that approximately 5 million barrels of high quality, sweet, 44 - 45° API, oil have been produced from Cache. Early field studies indicated that OOIP was estimated to be ~24 million barrels, suggesting that only about 20% of the OOIP has been produced.

Other Business

During the half year the Company has evaluated over 15 different investment opportunities in the USA. 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 this in the timely manner that is required. We are not the only company that is working the concept of acquiring quality assets at the bottom of the cycle and it is quite a competitive market. A lot of our competition for these deals are cashed up and can back up their interest with immediate payment, thus beating us to quality acquisitions.

With this being the case we have looked for deals that not only represent good value but are not well known to the market and as such have managed to have a quality oil and gas production asset "hold still" while we are completing our due diligence. As the due diligence is almost complete we are hoping to be raising funds in the very near future in order to acquire our 3rd major field.

Subsequent Events

On 28 July 2016, the Company issued 333,340,000 shares to the vendors of the Gold Nugget project as part payment for consideration under the terms of agreement.

No other matter or circumstance has arisen since 30 June 2016 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 2016. 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
Managing Director
13 September 2016

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 2016, 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 SEXTON
Partner

13 September 2016
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 2016

	Notes	Half Year End 30/06/2016 \$	Half Year End 30/06/2015 \$
Disposal of controlled entity	7	-	50,000
Interest revenue		822	5,285
Other income		-	3,212
Administrative expenses		(192,554)	(188,973)
Consultancy		(71,000)	(306,834)
Director fees		(304,043)	(78,694)
Director - share based remuneration		-	(120,000)
Solar project expenses		-	(9,596)
Legal fees		(2,593)	(109,499)
Exploration costs		(41,164)	-
Interest Expense		(13,907)	-
Loss from continuing activities before income tax		(624,439)	(755,099)
Income tax expense		-	-
Loss for the period		(624,439)	(755,099)
Other comprehensive income		-	-
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation		(65,016)	-
Total comprehensive loss for the year, net of tax		(689,455)	(755,099)
Net loss for the year is attributed to:			
Non-controlling interest		(7,189)	-
Equity holders of Red Sky Energy Ltd		(617,250)	(755,099)
Total comprehensive loss is attributed to:			
Non-controlling interest		(43,326)	-
Equity holders of Red Sky Energy Ltd		(646,129)	(755,099)
Basic and diluted (loss) per share (cents)	9	(0.01)	(0.03)

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 2016

	Notes	30 June 2016 \$	31 December 2015 \$
Current Assets			
Cash and cash equivalents		142,242	140,646
Receivables		16,238	45,132
Prepayments		9,950	68,354
Total Current Assets		168,430	254,132
Non Current Assets			
Other financial assets	8	446,878	342,779
Exploration and evaluation		4,194,639	4,258,541
Total Non Current Assets		4,641,517	4,601,320
Total Assets		4,809,947	4,855,452
Current Liabilities			
Trade and other payables		479,903	104,393
Borrowings	9	350,000	109,906
Total Current Liabilities		829,903	214,299
Total Liabilities		829,903	214,299
Net Assets		3,980,044	4,641,153
Equity			
Issued share capital	10	35,146,466	35,118,120
Reserves		1,693,492	1,722,371
Accumulated losses		(34,945,996)	(34,328,746)
Equity attributed to the owners of Red Sky Limited		1,893,962	2,511,745
Non-controlling interest		2,086,082	2,129,408
Total Equity		3,980,044	4,641,153

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 2016

	Notes	Half Year End 30/06/2016 \$	Half Year End 30/06/2015 \$
Cash flows from operating activities			
Payments to suppliers (GST inclusive) and employees		(94,510)	(505,657)
Receipts from other income		-	1,920
Interest received		598	2,462
Interest paid		(8,924)	-
Net cash used in operating activities		(102,836)	(501,275)
Cash flows from investing activities			
Deposits paid – Gold Nugget project	8	(104,054)	-
Loan advanced – Cache Project		-	(86,259)
Net proceeds from sale of controlled entity	7	-	40,000
Proceeds from sale of interest in permits		-	250,000
Solar technology expenditure		-	(8,469)
Exploration and evaluation costs		(41,514)	-
Net cash provided by investing activities		(145,568)	195,272
Cash flows from financing activities			
Proceeds from issue of convertible notes		250,000	-
Proceeds from issues of shares		-	120,000
Capital raising costs		-	(3,718)
Net cash flows provided by / (used in) financing activities		250,000	116,282
Net (decrease) / increase in cash and cash equivalents		1,596	(189,721)
Cash and cash equivalents at the beginning of the half year period		140,646	391,724
Cash and cash equivalents at the end of the half year period		142,242	202,003

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 2016

Consolidated	2016				
	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of year	35,118,120	(34,328,746)	1,722,371	2,129,408	4,641,153
Loss for the year	-	(617,250)	-	(7,189)	(624,439)
Other comprehensive loss for the year	-	-	(28,879)	(36,137)	(65,016)
Total comprehensive loss for the year	-	(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 year	35,146,466	(34,945,996)	1,693,492	2,086,082	3,980,044
	2015				
Consolidated	Issued Capital	Accumulated Losses	Reserves	Non-controlling Interest	Total Equity
Balance at beginning of year	31,820,725	(32,329,849)	1,490,000	-	980,876
Loss for the year	-	(755,099)	-	-	(755,099)
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive loss for the year	-	(755,099)	-	-	(755,099)
Transactions with equity holders in their capacity as equity holders					
Issues of share capital	120,000	-	-	-	120,000
Share based payments	143,817	-	120,000	-	263,817
Equity raising costs	(3,520)	-	-	-	(3,520)
Total transactions with equity holders in their capacity as equity holders	260,297	-	-	-	380,297
Balance at the end of the year	32,081,022	(33,084,948)	1,610,000	-	606,074

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 2016 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 2015 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 2015 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 2015. 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 2015.

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

The consolidated entity incurred a loss of \$624,439 (2015: loss \$755,099) and had net cash outflows from operating activities of \$102,836 (2015: net outflow \$501,275) for the half year ended 30 June 2016. The consolidated entity also recorded a deficit of working capital at 30 June 2016 of \$661,473 (current liabilities exceeded current assets).

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:

- 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;
- 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 \$3m in September 2016.
- Included in current liabilities is an amount of \$342,316 relating to certain directors and company secretarial fees. The directors have agreed to delay payment of their fees until the working capital position improves.
- Also included in current liabilities is an amount of \$350,000 relating to convertible notes issued to the consolidated entity's directors. The lender has the option to request up to 50% of the face value of the convertible loan notes (refer Note 9) to be converted into ordinary shares at a value of 0.1 cents per share.

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 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 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. DISPOSAL OF CONTROLLED ENTITY

During the prior period, the Company sold a controlled entity, Rhythm Section Investment Management Pty Ltd for a consideration of \$50,000. An amount of \$40,000 after deducting selling costs of \$10,000 was received upon settlement.

8. OTHER FINANCIAL ASSETS

Other financial assets includes deposits of \$406,224 (\$302,180 as at 31 December 2015) in respect to the Gold Nugget project in the United States. In addition to these deposits, Red Sky has issued 333,340,000 shares post balance date to acquire a 70% working interest in the Gold Nugget Gas Field in Wyoming.

9. BORROWINGS

The Company has issued \$350,000 in convertible loan notes ("Notes"). These Notes have a term of 12 months with interest rate of 15%. The lenders may request up to 50% of the face value of the Notes to be converted into ordinary shares at a value of 0.1 cents per share. The Notes are secured by a first mortgage over a subsidiary which has acquired an interest in the Gold Nugget project in the United States.

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 and included in shareholders' equity, net of income tax effects.

10. EQUITY SECURITIES ISSUED

	Half year 30 June 2016	Half year 30 June 2015
a) Issued Capital	\$	\$
Opening balance – 5,798,056,921 ordinary shares (2015: 2,101,145,608)	35,118,120	31,820,725
Share issues during the half year:		
- 30,000,000 shares issued @ \$0.001	30,000	-
- 150,000,000 shares issued @ \$0.0008	-	120,000
- 179,770,878 shares issued @ \$0.0008	-	143,817
- Equity raising costs	(1,654)	(3,520)
Closing Balance – 5,828,056,921 ordinary shares (2015: 2,430,916,486)	35,146,466	32,081,022

b) Options

Expiry Date	Exercise Price (cents)	Number on issue – Dec 2015	Granted during half year	Lapsed during half year	Exercised during half year	Number on issue - June 2016
31/03/2016	2.25	60,000,000	-	(60,000,000)	-	-
20/12/2016	0.90	100,000,000	-	-	-	100,000,000
Total		160,000,000	-	(60,000,000)	-	100,000,000

11. LOSS PER SHARE

	Half year 30 June 2016	Half year 30 June 2015
	\$	\$
Net loss	(617,250)	(755,099)
Basic earnings per share (EPS) (cents)	(0.01)	(0.03)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	5,810,843,806	2,222,261,299
Dilutive EPS is not adjusted as it would result in a reduction of the loss per share.	(0.01)	(0.03)

12. EVENTS SUBSEQUENT TO BALANCE DATE

On 28 July 2016, the Company issued 333,340,000 shares to the vendors of the Gold Nugget project as part payment for consideration under the terms of agreement.

No other matter or circumstance has arisen since 30 June 2016 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.

13. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

DIRECTORS DECLARATION FOR THE HALF YEAR ENDED 30 JUNE 2016

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 12, 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 2016 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
Clinton Carey

13 September 2016

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www.rsm.com.au**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 2016, 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 2016 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 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 2016 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 a deficit of working capital at 30 June 2016 of \$661,473, an operating loss of \$624,439 (2015: \$755,099) and net cash outflows from operating activities of \$102,836 for the six month period to 30 June 2016 (2015: net cash outflows of \$501,275). 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

13 September 2016
Melbourne, Victoria