Red Sky Energy Limited

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

ABN 94 099 116 275

Contents

CORPORATE DIRECTORY 2
REVIEW OF OPERATIONS 3
DIRECTORS' REPORT 6
AUDITOR'S INDEPENDENCE DECLARATION 15
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 16
STATEMENT OF FINANCIAL POSITION 17
STATEMENT OF CASHFLOWS 18
STATEMENT OF CHANGES IN EQUITY 19
NOTES TO THE FINANCIAL STATEMENTS 20
DIRECTORS' DECLARATION 45
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 46
SHAREHOLDER INFORMATION 48

CORPORATE DIRECTORY

Non-Executive Chairman	Mr Russell Krause
Managing Director	Mr Clinton Carey
Non-Executive Director	Mr Adrien Wing
Company Secretary	Mr Adrien Wing
Registered & Principal Office	Level 17, 500 Collins Street Melbourne VIC 3000
Auditors	RSM Bird Cameron Partners Level 21 55 Collins Street Melbourne VIC 3000
Solicitors	Quinert Rodda and Associates Suite 1 Level 6, 50 Queen Street Melbourne VIC 3000
Website Address	www.redskyenergy.com.au
Stock Exchange Listings	Red Sky Energy Ltd shares are listed on the Australian Securities Exchange under the code ROG
Share Registry	Link Market Services Limited Level 4, Central Park 152 St George Terrace Perth WA 6000 Telephone: + 61 8 9211 6670

REVIEW OF OPERATIONS

Operational Overview

Binding Terms Sheet to Acquire 50% interest in Cache Oilfield, Colorado, USA

The Company announced on 4 November 2014 that it had entered into a binding Terms Sheet with Monument Global Inc and Cache Martini No. 1 LLC ("the Vendors") recording the terms upon which, subject to the satisfaction of various conditions, ROG will invest in and acquire rights to a 50% interest in the Cache Oilfield ("Cache") oil and gas project owned and operated by the Vendors located in Montezuma Country, Colorado, USA ("the Project"). On 16 March 2015, the Company executed a definitive document to acquire Cache that included a number of key commercial parameters of the original Term Sheet being amended.

The board has continued to assess a number of new opportunities aimed at restoring shareholder value and believes Cache provides a platform to achieve this. Implementation of the transaction will be subject to shareholder and regulatory approvals as well as completion of capital raisings totalling approximately $2.4 million before costs. The parties are working with their respective advisors to complete definitive and capital raising documents as well as necessary documentation to convene a shareholder meeting.

The Cache oilfield is located 10 miles east of the Aneth field. The Cache field produces from the Pennsylvanian age Ismay reservoir at a depth of ~5,600 feet (average 180 feet thick) and comprises of a series of limestones, dolomites, shales and anhydrides deposited in a biohermal/biostromal carbonate mound. The Cache field produced historically from wells drilled throughout the 1960's most of which are now closed. Initial well production declined leading to the need for secondary recovery by implementing a water injection strategy.

Information received by the Company to date about current and historical production is subject to confirmation as part of the due diligence to be undertaken by the Company. The Company makes no statement regarding reserves or resources (if any) at this time as historical information was not prepared under and does not presently satisfy the requirements of the ASX Listing Rules. It is anticipated that following completion of due diligence the Company will be able to announce information regarding reserves and/or resources (if any) in accordance with the requirements of the ASX Listing Rules including the requirement for any estimates to be prepared by or under the supervision of a qualified petroleum reserves and resources evaluator.

It is proposed that Modern horizontal/multi-lateral drilling technology and extraction techniques be used in order to try and establish sustainable economic flow rates from new wells. An initial well is proposed to be drilled to test the production model which, if successful, will be followed by further drilling and a 3D seismic program over the field.

Due to the current downturn in oil prices, the directors are actively seeking opportunities in brown fields oil and gas that are operating on the margin but still at break even, in the current environment. It is expected that these assets will supplement the company's interest in the Cache Oil Field and greatly enhance its assets under management; while the oil price remains low and at a fraction of the historical costs normally associated in acquiring these type of assets. This acquisition on weakness strategy will allow the company to have a substantial oil and gas asset base when the oil price eventually recovers and assist in building a strong oil and gas producing company.

The Company has now received its technical and tenure report on Cache as part of its due diligence process which provided confidence to move ahead with the transaction. Subject to the completion the Vendor will be entitled to nominate three representatives to the board of ROG. Contemporaneously with these appointments, Mr Adrien Wing will step down from the board of ROG.

REVIEW OF OPERATIONS (Continued)

Operational Overview (Continued)

Binding Terms Sheet to Acquire 50% interest in Cache Oilfield, Colorado, USA (Continued)

Implementation of the transaction remains subject to shareholder and regulatory approvals as well as completion of the capital raising. ROG is now preparing a notice of meeting (NoM) to convene a shareholder meeting to seek the approvals required for the capital raising and to implement the terms under the definitive document.

The Board will provide further updates to shareholders as the proposed transaction, and its conditions, progress and subject to completion of due diligence and obtaining necessary regulatory approvals.

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 completed its review of the Renewable Energy Target but is yet to make its political view known. 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. $250,000 was received during the month of March 2015 and $217,000 held within cash balances on hand became unrestricted for ROG to utilise on other activities.

REVIEW OF OPERATIONS (Continued)

Corporate

The Company proudly appointed Mr Clinton Carey and Mr Russell Krause as Directors.

Mr Carey has over 20 years Management and Director level experience in a range of listed companies specializing in mining, oil and gas and technology.

Mr Carey specializes in reverse take over's (RTO) and has successfully completed 7 RTO's in Australia, the United States of America, Canada and England. In completing these RTO's, Mr Carey was responsible for all aspects of the transaction including corporate advisory services, capital raising and company development. Mr Carey was a director of Roper River Resources Limited when it completed an RTO of Webjet Limited.

Mr Carey also has extensive experience in the resources sector providing management, capital raising and corporate advisory services to a range of listed mining and energy companies. He has worked for mining companies in Russia, Brazil, Canada, Australia and England. He has worked in the mining and extraction industry for over 25 years.

Mr Krause has over 25 years Executive Management and Director level experience in a range of corporate advisory, stockbroking, and investment banking roles with some of Australia's leading financial services firms. He also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies.

Mr Krause is currently a Director of ASX-listed Oil & Gas producer, Austex Oil Limited (ASX:AOK), Carbine Tungsten Limited (ASX:CNQ) and Novus Capital Limited.

Mr Rohan Gillespie resigned as a Director on 21 October 2014. The Company provides its appreciation to Mr Gillespie's dedication as Managing Director over the last 5 years.

The Company received commitments to place $600,000 at an issue price of $0.0008 per share. The Company placed the first tranche of the placement by issuing 420,229,122 shares to professional and sophisticated investors at an issue price of 0.08 cents per share to raise approximately $336,000. This tranche was conducted under the Company's available capacity under ASX Listing Rules 7.1 and 7.1A.

Commitments for the second tranche of the Placement, being the balance of 329,770,878 shares for issue to professional and sophisticated investors at an issue price of 0.08 cents per share to raise approximately $263,000 have also been received. The second tranche was approved by shareholders at a general meeting held 11 March 2015. These receipt of these funds and the issue of shares (including the placement to two of the directors of the Company), is expected to occur in the coming weeks.

As advised, the Company held a general meeting of shareholders on 11 March 2015. All resolutions were passed without amendment.

DIRECTORS' REPORT

Your directors present their report consisting of Red Sky Energy Ltd (the Company) and Red Sky Energy Ltd and controlled entities (the Group) as at the end of, or during, the year ended 31 December 2014.

Directors

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

Mr Russell Krause – Non-Executive Chairman (appointed 21 October 2014)
Mr Clinton Carey – Managing Director (appointed 12 January 2015)
Mr Adrien Wing - Non Executive Director (appointed 7 March 2014)

Mr Gerrit de Nys – Non Executive Chairman (resigned 8 May 2014)
Mr Rohan Gillespie – Managing Director (resigned 21 October 2014)
Mr Guy Le Page – Non Executive Director (resigned 2 February 2015)

Company Secretary

Mr Adrien Wing, since 3 February 2011.

Principal Activities

The Principal activities of the Group during the year were exploration for economic deposits of oil and gas and the development of solar power energy projects. There were no significant changes in the nature of these activities during the year.

Operating Results

The net operating loss of the Group for the year ended 31 December 2014 after income tax amounted to $1,807,819 (31 December 2013: net operating loss $2,691,993).

Review of Operations

A detailed review of the Group's activities is contained in the Operations Review section of the Annual Report.

Significant Changes in the State of Affairs

During the year the company issued 420,229,122 fully paid ordinary shares. Refer to Note 14 of this financial report for details.

Events Subsequent to Balance Date

Subsequent to year end the company received the balance of proceeds receivable of $250,000 in relation to the sale of its interests in permits PEL 457 and 479. In addition, previously restricted cash balances of $217,500 became unrestricted and available to the Company.

At a General Meeting of the Company on 11 March 2015, shareholders approved the following resolutions:

Resolution 1 – Ratification of prior issue of placement shares.
The issue of 420,229,122 fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to clients of Halcyon Corporate Pty Ltd on 14 November 2014.

Resolution 2 – Approval to issue placement shares.
The issue of 204,770,878 fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to clients of Halcyon Corporate Pty Ltd, as the second tranche of November 2014 share placement.

Resolution 3 – Approval to issue placement shares to Director – Mr R Krause.
The issue of 62.5 million fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to Mr Russell Krause as part of the share placement.

Resolution 4 – Approval to issue placement shares to Director – Mr A Wing.
The issue of 62.5 million fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to Mr Adrien Wing as part of the share placement.

Resolution 5 – Performance Rights Plan.
The establishment of the Red Sky Performance Rights Plan.

Resolution 6, 7 and 8 – Issue of Performance Rights – Mr R Krause, Mr C Carey and Mr A Wing.
The issue of a total of 75 million Performance Rights pursuant to the Red Sky Performance Plan (each entitling the holder, upon satisfaction of the applicable Milestone to one fully paid ordinary share in the capital of the company) to Mr Krause, Mr Carey and Mr Wing as set out in the table below:

Series	Milestone:	Achieved:	Number of Performance Rights each:
A	Market capitalisation of the Company of $5 million or more	Within 3 years (by 11 March 2018)	25 million
B	Market capitalisation of the Company of $7.5 million or more	Within 5 years (by 11 March 2020)	25 million
C	Raising a minimum of $1 million of capital	Within 5 years (by 11 March 2020)	25 million

On 16 March 2015, the Company announced the execution of a definitive document to acquire a 50% interest in the US based Cache Oilfield, Colorado ("Cache") through the issue of 1.29 billion shares at a deemed issue price of $0.001. As part of the acquisition there will also be an associated capital raising to raise a minimum of $600,000 up to a maximum of $1.5 million through the issue of between 600 million and 1.5 billion shares at an issue price of $0.001. Further to the capital raising component of this transaction the vendors of Cache will also receive a further issue of shares for any difference between the amounts of capital raised under the issue less than the maximum amount that could be raised. For example if only $1 million was raised then the vendors would receive a further 500 million shares again at a deemed price of $0.001. Implementation of the transaction remains subject to shareholder and regulatory approvals as well as completion of the due diligence process and capital raising.

Apart from the above, no other matters or circumstances have arisen since 31 December 2014 that have significantly affected, or may significant affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Likely developments

The group will focus on the exploration for economic deposits of oil and gas and the development of solar power energy projects. It is the intention of the Board to implement a strategy of acquiring an onshore US oil and gas portfolio due to the significant revisions in acreage valuations and the opportunity in which that brings.

Dividends Paid or Recommended

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

Environmental Issues

The Group's operations are subject to various environmental regulations under the Federal and State Laws in Australia. The majority of the Company's activities involve low level disturbance associated with its exploration drilling programs. As at the date of this report the group complies fully with all such regulations.

Information on Directors and Secretary

Names, qualifications, experience and special responsibilities of current Directors and Company Secretary:

Russell Krause – Non-Executive Director

Mr Krause has over 25 years Executive Management and Director level experience in a range of corporate advisory, stockbrocking and investment banking roles with some of Australia's leading financial services firms. Mr Krause also has extensive experience in the resources sector providing equity capital markets, capital raising and corporate advisory services to a range of ASX listed mining and energy companies. Mr Krause was appointed Non-Executive Director on 21 October 2014.

Current Directorship and date of appointment:
AusTex Oil Limited – appointed 23 October 2012, Carbine Tungsten Limited – appointed 30 June 2013.

Other Directorships within the last three years:
Nil

Clinton Carey – Managing Director

Mr Carey has over 20 years management and Director level experience in listed companies specializing in mining, oil and gas and technology. Mr Carey was a director of Roper River Resources Limited when it completed a reverse take over of Webjet Limited. He has worked for mining companies in Russia, Brazil, Canada, Australia and England. Mr Carey was appointed Director on 12 January 2015.

Current Directorship and date of appointment:
Nil

Other Directorships within the last three years:
Nil

Adrien Wing - Non Executive Director and Company Secretary, B.Acc, CPA

Mr Wing is a Certified Practicing Accountant. He practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the Australian Securities Exchange as a corporate/accounting consultant and company secretary. Mr Wing was appointed Company Secretary on 3 February 2011 and Non-Executive Director on 7 March 2014.

Current Directorship and date of appointment:
Arunta Resources Limited (appointed 5 May 2011)

Other Directorships within the last three years:
New Age Exploration Limited (resigned 15 July 2013)

Gerrit de Nys – former Non Executive Chairman, B.Tech, FAICD, FIE Aust, CPEng (Ret.)

Mr de Nys is a Chartered Professional Engineer (Civil Engineering) and has had more than 40 years experience in construction, contracting and development of businesses in Australia and overseas, having spent in excess of 30 years in Asia. He has been the CEO of a number of Asian based groups of companies involved in a broad range of industries including construction, shipyards and heavy engineering as well as offshore construction activities. He is currently a Director of Heritas Capital Management (Australia) Pty Ltd, and of various subsidiaries of the IMC Pan Asia Alliance Group. Mr de Nys resigned as a Director on 8 May 2014.

Rohan Gillespie – former Managing Director, BEng (Civil), MBA- University of Queensland

Mr Gillespie is Managing Director of Energy Infrastructure and Resources Limited ("EIR"). Mr Gillespie previously held senior roles with BHP Billiton in its engineering, coal and petroleum divisions, most recently as Vice President and Chief Operating Officer of its coal seam gas ("CSG") business. He has also held corporate development roles with two energy start-ups, Ceramic Fuel Cells and Renewable Energy Corp, as well as a credit executive role with Commonwealth Bank. Mr Gillespie resigned as a Director on 21 October 2014.

Guy Le Page – former Non Executive Director, B.A., B.Sc. (Adel), B.App.Sc. (Hons) (Curt), M.B.A., (Adel) Grad. Dip. App. Fin &Inv. (FINSIA), MAusIMM, FFin

Mr Le Page is currently a Director & Corporate Adviser of RM Research and is actively involved in a range of corporate initiatives from mergers and acquisitions, initial public offerings to valuations, consulting and corporate advisory roles. Mr Le Page was Head of Research at Morgan Stockbroking Limited (Perth) prior to joining Tolhurst Noall as a Corporate Advisor in July of 1998. Prior to entering the stockbroking industry, he spent 10 years as an exploration and mining geologist in Australia, Canada and the United States. His experience spans gold and base metal exploration and mining geology, and he has acted as a consultant to private and public companies. This professional experience included the production of both technical and valuation reports for resource companies.

Mr Le Page holds a Bachelor of Arts, a Bachelor of Science and a Masters Degree in Business Administration from the University of Adelaide, a Bachelor of Applied Science (Hons) from the Curtin University of Technology and a Graduate Diploma in Applied Finance and Investment from the Financial Securities Institute of Australia. Mr Le Page resigned as a Director on 2 February 2015.

Meetings of Directors

The number of meetings held by the Company's board of directors and audit committee during the year and the number of meetings attended by each director were:

Director	Board meetings held	Board meetings attended	Audit Committee meetings held	Audit Committee meetings attended
Russell Krause	3	3	-	-
Clinton Carey	-	-	-	-
Adrien Wing	9	9	1	1
Gerrit de Nys	5	5	1	1
Rohan Gillespie	9	9	-	-
Guy Le Page	11	10	1	1

During the year 11 board meetings were held by the Company.

Securities held and controlled by Directors

As at the date of this report, the direct and indirect interests of Directors in shares, options and performance rights of the Company were as follows:

Holder	Ordinary Shares Number	Performance Rights
Russell Krause	-	75,000,000
Clinton Carey	-	75,000,000
Adrien Wing	-	75,000,000

The above interests of Performance Rights were received between the end of the financial year and the date of this report.

Share options granted to directors or senior management

During or since the end of the financial year, no share options were granted by the Company to the Directors and Executives of the Group as part of their remuneration.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are as follows:

Issuing entity	Number of shares under option	Class of shares	Exercise price of options	Expiry Date of Options
Red Sky Energy Ltd	60,000,000	Ordinary	2.25 cents	31 March 2016
Red Sky Energy Ltd	100,000,000	Ordinary	0.90 cents	20 December 2016

No ordinary shares were issued during the financial year and up to the date of this report on the exercise of options.

Remuneration Report (audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporation Act 2001.

This report outlines the remuneration arrangements in place for Directors and executives of Red Sky Energy Limited. This report has been set out under the following main headings:

A. Principles Used to Determine the Nature and Amount of Remuneration
B. Service Agreements
C. Details of Remuneration
D. Key Management Personnel Equity Holdings
E. Share-based Compensation
F. Other Transactions with Key Management Personnel
G. Additional Information

A. Principles Used to Determine the Nature and Amount of Remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The board policy is to remunerate non executive Directors at fair market rates for comparable companies for the relevant time, commitment and responsibilities. The board determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum amount of fees that can be paid to non executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount approved is $250,000. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Director's interests with shareholder interests the Directors are encouraged to hold shares in the Company and may be issued with additional securities as deemed appropriate.

The Board believes that the remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate for aligning Director and executive objectives with shareholder and business objectives. The board will continually develop new practices which are appropriate to the Company's size and stage of development.

Executive Officers are those directly accountable for the operational management and strategic direction of the Company and the consolidated entity. All contracts with Directors and executives may be terminated by either party with three months notice.

Fixed remuneration

Fixed remuneration consists of a base remuneration package, which includes Directors' fees (in the case of Directors), salaries, consulting fees and employer contributions to superannuation funds.

B. Service Agreements

The directors and key management personnel during the current and prior year included:

Directors

Mr Russell Krause – Non Executive Director (appointed 21 October 2014)
- Director fees of $24,000 per annum.

Mr Clinton Casey – Managing Director (appointed 12 January 2015)
- Managing Director fees of $100,000 per annum.

Mr Adrien Wing- Non-Executive Director (appointed 7 March 2014) and Company Secretary (since 3 February 2011)
- Director fees of $24,000 per annum.
- The company has an agreement with Northern Star Nominees Pty Ltd for company secretarial services at a rate of $5,500 per month.

Mr Gerrit de Nys – Non Executive Chairman (resigned 8 May 2014)
- Agreement commenced 16 October 2009, no termination date;
- Consulting fees (including directors' fees) of $80,000 plus 9% superannuation (9.25% from 1 July 2013) to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

Mr Rohan Gillespie – Managing Director (resigned 21 October 2014)
- Agreement commenced 21 September 2009, no termination date;
- Consulting fees (including directors' fees) of $280,000 plus 9% superannuation (from 1 October 2012) to 30 June 2014, revised to $24,000 per annum from 1 July 2014, to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

Mr Guy Le Page – Non Executive Director (resigned 2 February 2015)
- Agreement commenced 18 February 2009, no termination date;
- Consulting fees (including directors' fees) of up to $40,000 to be reviewed annually by the board; and
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months' consulting fees.

C. Details of Remuneration

The key management personnel of Red Sky Energy Limited during the years ended 31 December 2014 and 2013 included all directors and executives mentioned above. There are no other executives of the Company which are required to be discussed.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees and bonuses;
- Post-employment benefits – including superannuation;
- Equity – share options and other equity securities; and
- Other benefits.

Nature and amount of remuneration:

2014		Short-term employee benefits	Post -employment benefits	Equity Performance related		
		Salary, consulting fees, director's fees $	Superannuation $	Options $	Shares $	Total $
Executive directors						
R Gillespie (1)		146,000	12,600	-	-	158,600
Non Executive directors						
G de Nys (2)		28,387	2,725	-	-	31,112
G Le Page		20,333	-	-	-	20,333
R Krause (3)		4,000	-	-	-	4,000
A Wing(4)		19,548	-	-	-	19,548
Total directors' compensation		**218,268**	**15,325**	**-**	**-**	**233,593**
Other key management personnel						
A Wing (4)		66,000	-	-	-	66,000
Total other key management compensation		**66,000**	**-**	**-**	**-**	**66,000**
TOTAL		**284,268**	**15,325**	**-**	**-**	**299,593**

(1) R Gillespie resigned as a Director on 21 October 2014.
(2) G de Nys resigned as a Director on 8 May 2014.
(3) R Krause was appointed as a Director on 21 October 2014.
(4) A Wing (Company Secretary since 3 February 2011) was appointed as a Director on 7 March 2014.

2013		Short-term employee benefits	Post -employment benefits	Equity Performance related		
		Salary, consulting fees, director's fees $	Superannuation $	Options $	Shares $	Total $
Executive directors						
R Gillespie		280,000	25,200	-	-	305,200
Non Executive directors						
G de Nys		80,000	6,600	-	-	86,600
G Le Page		40,000	-	-	-	40,000
Total directors' compensation		**400,000**	**31,800**	**-**	**-**	**431,800**
Other key management personnel						
A Wing		66,000	-	-	-	66,000
Total other key management compensation		**66,000**	**-**	**-**	**-**	**66,000**
TOTAL		**466,000**	**31,800**	**-**	**-**	**497,800**

D. Key Management Personnel Equity Holdings

As at 31 December 2014, the interests of the Directors in shares and options of the Company were:

Ordinary shares

Holder	Balance at beginning of the year	Granted as compensation	Received on exercise of options	Net change other *	Final Interest	Balance at end of the year
Russell Krause	-	-	-	-	-	-
Adrien Wing	-	-	-	-	-	-
Gerrit de Nys (1)	10,000,000	-	-	-	10,000,000	-
Rohan Gillespie (2)	180,000,000	-	-	-	180,000,000	-
Guy Le Page	-	-	-	-	-	-

* Net change other includes shares acquired or disposed of during the year.
(1) G de Nys resigned as a Director on 8 May 2014.
(2) R Gillespie resigned as a Director on 21 October 2014.

Options

Holder	Balance at beginning of the year	Granted as compensation	Options exercised	Net other change	Final interest	Balance at end of the year	Vested and exercisable	Vested but not exercisable	Options vested during the year
Russell Krause	-	-	-	-	-	-	-	-	-
Adrien Wing	-	-	-	-	-	-	-	-	-
Gerrit de Nys (2)	37,500,000	-	-	-	37,500,000	-	-	-	-
Rohan Gillespie (1)	97,500,000	-	-	(97,000,000)	-	-	-	-	-
Guy Le Page (2)	15,000,000	-	-	-	-	15,000,000	15,000,000	-	-

(1) The options to R Gillespie, exercisable at 4 cents, expired on 18 September 2014.
(2) The options to G de Nys and G Le Page are exercisable at 2.25 cents, expiring on 31 March 2016.

E. Share-based Compensation

During the financial years ended 31 December 2013 and 2014, there were no options granted to key management personnel.

F. Related party transactions with key management personnel

Related party transactions are set out in Note 19.

G. Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance.

In considering the Company's performance and its effect on shareholder wealth, the Board has regard to a broad range of factors, some of which are financial and others of which relate to the progress on the Company's projects, results and progress of exploration and development activities, joint venture agreements, etc.

The Board also gives consideration to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure or contemplate payment of any dividends in the short to medium term given that all efforts are currently being expended to build the business and establish self-sustaining revenue streams.

END OF AUDITED REMUNERATION REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company maintained an insurance policy which indemnifies the Directors and Officers of Red Sky Energy Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the Company. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

There were no non audit services provided during the year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the consolidated entity's auditor, RSM Bird Cameron Partners to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the period ended 31 December 2014. The written Auditor's Independence Declaration is attached at page 15 and forms part of this Director's Report.

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

Adrien Wing
Director

30 March 2015

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 8199
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 year ended 31 December 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

RSM BIRD CAMERON PARTNERS

Jason Croall

J S CROALL
Partner

Dated: 30 March 2015
Melbourne, Victoria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		Group	
	Notes	**2014**	**2013**
		$	**$**
Revenue from continuing operations	5	156,160	6,643
Administration expenses		(360,069)	(342,581)
Consultancy		(267,505)	(349,167)
Directors fees	6	(233,594)	(431,800)
Exploration cost written off		(37,687)	-
Impairment of intangible assets		(1,024,844)	-
Legal fees		(40,280)	(77,434)
Loss from continuing operations before income tax		**(1,807,819)**	**(1,194,339)**
Income tax benefit		-	82,217
Loss from continuing operations after income tax		**(1,807,819)**	**(1,112,122)**
Loss from discontinued operations	18	**-**	(1,579,871)
Net loss for the year		**(1,807,819)**	**(2,691,993)**
Other comprehensive income		**-**	**-**
Total comprehensive loss for the year		**(1,807,819)**	**(2,691,993)**
Total comprehensive loss is attributable to:			
Equity holders of Red Sky Energy Ltd		**(1,807,819)**	**(2,691,993)**

Basic and diluted (loss) per share – overall (cents per share)	16	(0.10)	(0.16)
Basic and diluted (loss) per share – continuing operations (cents per share)	16	(0.10)	(0.07)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Group 2014 $	Group 2013 $
Current Assets			
Cash and cash equivalents	8	391,724	571,364
Trade and other receivables	9	283,539	45,252
Prepayments		42,151	43,510
Non current assets held for sale	10	-	1,250,000
Total current assets		**717,414**	**1,910,126**
Non Current Assets			
Trade and other receivables	11	300,890	-
Other financial assets – security deposits		40,000	41,000
Exploration and evaluation assets	10	-	-
Intangible assets	12	-	893,255
Total Non-Current Assets		**340,890**	**934,255**
Total Assets		**1,058,304**	**2,844,381**
Current Liabilities			
Trade and other payables		10,900	101,898
Accrued expenses		66,528	269,337
Total Current Liabilities		**77,428**	**371,235**
Total Liabilities		**77,428**	**371,235**
Net Assets		**980,876**	**2,473,146**
Equity			
Issued share capital	14	31,820,725	31,505,176
Reserves	15	1,490,000	1,490,000
Accumulated losses		(32,329,849)	(30,522,030)
Total Equity		**980,876**	**2,473,146**

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2014

	Notes	Group	
		2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(998,800)	(1,083,495)
Research and development grant		143,936	-
Interest received		7,241	6,643
Other income		4,093	-
Net cash (used in) operating activities	17	**(843,530)**	**(1,076,852)**
Cash flows from investing activities			
Exploration and evaluation expenditure		(16,687)	(132,267)
Proceeds from sale of interest in permits		1,000,000	1,000,000
Solar technology expenditure		(131,589)	(359,446)
Acquisition of Soleir Limited		(146,200)	-
Loan advanced – Cache Project		(300,000)	-
Deposits (paid)/refunded		(20,000)	30,000
Net cash provided by investing activities		**385,524**	**538,287**
Cash flows from financing activities			
Proceeds from issues of shares		299,000	-
Capital raising costs		(20,634)	(1,500)
Net cash flows (used in)/provided by financing activities		**278,366**	**(1,500)**
Net decrease in cash and cash equivalents		(179,640)	(540,065)
Cash and cash equivalents at the beginning of the financial year		571,364	1,111,429
Cash and cash equivalents at the end of the financial year	8	**391,724**	**571,364**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Consolidated	2014			
	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at beginning of year	31,505,176	(30,522,030)	1,490,000	2,473,146
Loss for the year	-	(1,807,819)	-	(1,807,819)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	(1,807,819)	-	(1,807,819)
Transactions with equity holders in their capacity as equity holders				
Issues of share capital	336,183	-	-	336,183
Equity raising costs	(20,634)	-	-	(20,634)
Balance at the end of the year	**31,820,725**	**(32,329,849)**	**1,490,000**	**980,876**

	2013			
Consolidated	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Balance at beginning of year	31,426,676	(27,830,037)	1,490,000	5,086,639
Loss for the year	-	(2,691,993)	-	(2,691,993)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	(2,691,993)	-	(2,691,993)
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)
Balance at the end of the year	**31,505,176**	**(30,522,030)**	**1,490,000**	**2,473,146**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated. The financial report includes separate financial statements for Red Sky Energy Limited as an individual entity and the consolidated entity consisting of Red Sky Energy Limited and its subsidiaries.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The Group has applied the following standards and amendments for first time from 1 January 2014:

(i) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements;*
(ii) AASB 2012-3 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*; and
(iii) AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.*

No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements were required as a result of adopting these new standards and amendments.

(i). Compliance with IFRSs
Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRs). Compliance with AIFRSs ensures that the financial report of Red Sky Energy Limited comply with International Financial Reporting Standards (IFRSs).

(ii) Early adoption of standards
The Group has not elected to apply any early pronouncements.

(iii) Historical cost convention
These financial statements have been prepared under the historical cost convention.

(iv) Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies (refer note 3).

(v) Going Concern
The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the recognised and settlement of liabilities in the normal course of business.

The consolidated entity incurred a loss of $1,807,819 (2013: $2,691,993) and had net cash outflows from operating activities of $843,530 (2013: $1,076,852) for the year ended 31 December 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. As at 31 December 2014, the consolidated entity had net assets of $980,876 (2013: $2,473,146) and a working capital position of $639,986 ($1,538,891). Proceeds of $0.25m have been received subsequent to balance date in relation to the sale of permits PEL 479 and PEL 457 (refer to Note 23). 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:

- Various alternatives to issue securities and raise funds; and
- Consideration of re-arranging agreements on existing projects through sale or deferring expenditure.

Based on the above, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Red Sky Energy Limited ("Company" or "parent entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended. Red Sky Energy Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-Company transactions, balances and recognised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Red Sky Energy Limited.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined to have joint operations.

The proportionate interests in the assets, liabilities, income and expenditure of joint operations have been incorporated in the financial statements under the appropriate headings.

(iii) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be indentified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in the Statement of Comprehensive Income.

(c) Segment reporting

The Group currently operates in the gas and solar power energy industry segment in Australia.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised as follows:

(i) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Revenue recognition (continued)

(ii) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are due for settlement between thirty (30) and ninety (90) days from the date of recognition.

(f) Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date (ie. The date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is decognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(h) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Proceeds from the sale of exploration permits or recoupment of exploration costs from farm-in arrangements are credited against exploration costs previously capitalised. Any excess of the proceeds over costs recouped are accounted for as a gain on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Oil and gas properties

Following commencement of production activities all acquisition, exploration, evaluation and development expenditure in relation to an area of interest is accumulated into an oil and gas property.

When further development expenditure is incurred in respect of a property after the commencement of production, such expenditure is carried forward as part of the cost of that property only when substantial economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of the cost of oil and gas properties is provided on the unit-of-production basis over the proved developed reserves of the field concerned with separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable reserves. Amortisation is charged from the commencement of production.

The net carrying value of each property is reviewed regularly for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If the asset does not generate largely independent cash follows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount is the greater of fair-value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(j) Intangibles assets – solar power energy projects

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs will be amortised on a systematic basis based on the future economic benefits over the useful life of the project when revenue is earned.

(k) Fair value estimation

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired at fair value. The fair value of financial assets and financial liabilities must be estimated for recognition and measured or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date, when it is probable that settlement will be required and they are capable of being measured reliably. The calculation of employee benefits includes all relevant on-costs and is calculated as follows at the reporting date.

(i) Wages and Salaries, Annual Leave and Long Service Leave

Provisions made in respect of employee benefits are measured based on an assessment of the existing benefits to determine the appropriate classification under the definition of short term and long term benefits, placing emphasis on when the benefit is expected to be settled. Short term benefits provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Long term benefits provisions that are not expected to be settled within 12 months, and are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date to estimate the future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, in which case it would be classified as a non-current liability. Provisions made for annual leave and unconditional long service leave are classified as a current liability where the employee has a present entitlement to the benefit. A non-current liability would include long service leave entitlements accrued for employees with less than 10 years of continuous service who do not yet have a present entitlement.

(ii) Accumulated superannuation contribution plans

Obligations for contributions to accumulated superannuation contribution plans are recognised as an expense as incurred.

(o) Share Based Payments

The Group may at times provide benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees and consultants render services in exchange for shares or rights over shares (‘equity-settled transactions’). The cost of these equity-settled transactions with employees and consultants is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black & Scholes method. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(p) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(q) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.
Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.
Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Risk Exposures and Responses

Market Risk

Interest rate risk
The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Group has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

At reporting date, the Group had the following financial assets exposed to variable interest rates not designated in cash flow hedges:

	Group	
	2014 **$**	**2013** **$**
Short term deposits	40,000	20,000
Cash and cash equivalents (interest-bearing accounts)	391,724	571,364
Net exposure	431,724	591,364

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 31 December 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

Judgments of reasonably possible movements:		
Post tax profit – higher / (lower)		
+ 0.5%	2,159	2,957
- 0.5%	(2,159)	(2,957)
Equity – higher / (lower)		
+ 0.5%	2,159	2,957
- 0.5%	(2,159)	(2,957)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT

Commodity Price and Foreign Currency Risk
The Group's exposure to price and currency risk is minimal at present.

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

Maturities of financial liabilities
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Group						
	Less than 1 month $	1 - 3 months $	3 months - 1 year $	1 - 5 years	5+ Years	Total contractual cash flows $	Carrying amount $
As at 31 December 2014							
Non-derivatives							
Non-interest bearing							
Trade and other payables	10,900	-	-	-	-	10,900	10,900
Accrued expenses	66,528	-	-	-	-	66,528	66,528
As at 31 December 2013							
Non-derivatives							
Non-interest bearing							
Trade and other payables	101,898	-	-	-	-	101,898	101,898
Accrued expenses	269,337	-	-	-	-	269,337	269,337

.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securities it trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Group.

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure, debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position are carried at amortised cost or fair value. These amounts represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Fair Value Measurement for Non-Financial Assets

Accounting Standard AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements of non-current assets held for sale, recognised in the balance sheet as at 31 December 2014, are categorised into level 2 of the fair value hierarchy. The fair value used to derive the non-current assets held for sale is based on the consideration sum agreed for the sale (refer to Note 18).

There are no other assets measured at fair value recognised in the statement of financial position as at 31 December 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Exploration expenditure

Expenditure and development expenditure that does not form part of the cash generating units assessed for impairment has been carried forward on the basis that exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable reserves are not assessed as being present, this expenditure will be expensed to the Income Statement.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(ii) Intangible assets – solar power energy projects

The Group tests each reporting period, or more frequently if events or changes in circumstances indicate impairment, whether intangible solar power energy assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

4. SEGMENT REPORTING

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.

Types of products and services
The Group currently has no revenue from products or services.

Major customers
The Group has no reliance on major customers.

Geographical areas
The Group's assets are located in Australia.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE

	Group	
	2014 $	2013 $
Research and development grant	143,936	-
Interest income	8,131	6,643
Other income	4,093	-
Total	156,160	6,643

6. EXPENSES

	Group	
Loss from continuing operations before income tax has been determined after including directors fees as follows:	2014 $	2013 $
Salaries	218,268	400,000
Superannuation	15,325	31,800
Total	233,593	431,800

7. INCOME TAX

	Group	
	2014 $	2013 $
The prima facie income tax benefit on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:		
Loss before tax	(1,807,819)	(2,774,210)
Income tax benefit calculated at 30%	(542,346)	(832,263)
Effect of expenses that are not deductible in determining taxable profit	79,028	24,000
Temporary differences and tax losses in the current year for which no deferred tax asset has been brought to account	463,318	726,046
Income tax benefit	-	(82,217)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (refer below)	-	(82,217)
Deferred tax assets:		
Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(q) occur:	7,159,780	6,732,826

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7. INCOME TAX (Continued)

(a) Movements in deferred tax liabilities

	Group	
	2014 $	2013 $
Acquired upon purchasing Soleir Limited	-	82,217
Credited to profit or loss	-	(82,217)
Closing balance	-	-

8. CASH AND CASH EQUIVALENTS

	Group	
	2014 $	2013 $
Cash at bank	391,724	571,364

9. TRADE AND OTHER RECEIVABLES

	Group	
Current	2014 $	2013 $
Receivable – Sale of interests in permits	250,000	-
Other Receivables	33,539	45,252
	283,539	45,252

10. EXPLORATION ASSETS

	Group	
	2014 $	2013 $
Opening balance	-	3,636,544
Additions	37,687	193,327
Sale of interests in permits (1)	-	(1,000,000)
Write offs	(37,687)	(1,579,871)
Transferred to Non current assets held for sale	-	(1,250,000)
Exploration Assets	-	-

(1) Following the successful renewal of permit PEL 457 during 2013, an amount of $1m was recorded and received from ERM Power Ltd as a consequence of an agreement finalised during 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. TRADE AND OTHER RECEIVABLES

	Group	
	2014 $	2013 $
Loan to Monument Global Inc. and Cache Martini No. 1 LLC	300,890	-

In November 2014, the Company advanced the principal sum of $300,000 to both Monument Global Inc. and Cache Martini No 1 LLC ("the Vendors") jointly and severally. Interest of $890 has been earned up until 31 December 2014.

Under the binding terms sheet the Company will acquire a 50% interest in the Cache Oilfield oil and gas project ("the Cache Project") owned and operated by the Vendors located in Montezuma County, Colorado, USA, subject to various conditions including:

- Completion of due diligence by the Company confirming the Vendors' rights in the Project;
- The completion of an initial placement to raise approximately $336,000 (completed as at 31 December); and
- The confirmation of the absence of any regulatory restrictions.

The loan, which is interest bearing, is to be used for the purposes of an oil improvement program, and is repayable the earlier of 3 May 2016 or the date of an Event of Default (as defined) however it is anticipated the loan will ultimately be offset against the proposed cash portion of consideration payable by the Company to acquire the Cache Project.

12. INTANGIBLE ASSETS

	Group	
Solar Technology Development	2014 $	2013 $
Opening balance	893,255	588,654
Additions	131,589	304,601
Impairment of intangible assets	(1,024,844)	-
Closing balance	-	893,255

13. INVESTMENT IN CONTROLLED ENTITIES

		Ownership Interest	
	Country of Incorporation	2014 %	2013 %
Cydonia Resources Pty Ltd	Australia	100	100
Norwest Hydrocarbons Pty Ltd	Australia	100	100
Surat Resources Pty Ltd	Australia	100	100
Red Sky NT Pty Ltd	Australia	100	100
Summerland Way Energy Pty Ltd	Australia	100	100
Soleir Pty Ltd	Australia	100	100
Soleir Dubbo Pty Ltd	Australia	100	100
Soleir Energy Services Pty Ltd	Australia	100	100
Soleir Energy Trading Pty Ltd	Australia	100	100
Rhythm Section Investment Management Pty Ltd	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. ISSUED CAPITAL

(a) Share Capital

Ordinary shares	Group	
	2014 $	2013 $
2,101,145,608 fully paid ordinary shares (31 December 2013: 1,680,916,486)	31,820,725	31,505,176
Movements during the year:		
Beginning of year	31,505,176	31,426,676
Shares issued during the prior year	-	80,000
373,750,000 shares issued @ $0.0008	299,000	-
46,479,122 shares issued @ 0.0008 to consultants	37,183	-
Equity Raising Expenses	(20,634)	(1,500)
	31,820,725	**31,505,176**

(b) Options

Expiry Date	Exercise Price (cents)	Number on issue – 2013	Granted during year	Lapsed during year	Exercised during year	Number on issue - 2014
18/09/2014	4.00	200,000,000	-	(200,000,000)	-	-
31/03/2016	2.25	60,000,000 (i)	-	-	-	60,000,000
20/12/2016	0.90	100,000,000 (ii)	-	-	-	100,000,000
Total Options Issued		**360,000,000**	**-**	**(200,000,000)**	**-**	**160,000,000**

(i) Options issued to non-executive directors in 2011 following shareholder approval on 21 March 2011 (Mr Gerrit de Nys 37,500,000, Mr Guy Le Page 15,000,000 and Mr Murray Durham 7,500,000).

(ii) Options issued to consultants as follows:

Granted	Grant Date	Vesting Date	Value at Grant Date	Exercise Price	Expiry Date
20,000,000	28 Nov 12	28 Nov 12	$0.016	$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	$0.016	$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	$0.016	$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	$0.016	$0.009	20 Dec 16
20,000,000	28 Nov 12	(iii)	$0.016	$0.009	20 Dec 16
100,000,000					

The fair value of the share options granted is estimated as at the date of grant using a Black Scholes model taking into account the terms and conditions upon which the options were granted. The model inputs used an expected volatility of 100%, a risk free rate of 2.76%, and a share price at the grant date of 0.3 cents.

(iii) The vesting conditions of these options are subject to various performance criteria on Soleir solar projects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. RESERVES

	Group	
	2014	**2013**
	$	**$**
Option expense reserve	1,490,000	1,490,000
Opening balance	1,490,000	1,490,000
Movement during the year – share based payments	-	-
	1,490,000	**1,490,000**

Nature and purpose of reserves:

Option expense reserve records the value of options issued which have been taken to expenses.

16. LOSS PER SHARE

	Group	
	2014	**2013**
	$	**$**
Reconciliation of earnings to net loss		
Net loss	(1,807,819)	(2,691,993)
Loss from discontinued operations	-	(1,579,871)
Net loss from continuing operations	(1,807,819)	(1,112,122)
Calculation of basic and dilutive EPS – overall (cents)	(0.10)	(0.16)
Calculation of basic and dilutive EPS – continued operations (cents)	(0.10)	(0.07)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	Number 1,735,028,181	Number 1,679,053,472

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss from continuing operations after income tax

	GROUP	
	2014 $	2013 $
Loss after income tax	(1,807,819)	(2,691,993)
Non cash flows in loss:		
Share based payments – consulting fees (Note 14)	37,183	-
Exploration costs written off	37,687	1,573,871
Impairment of intangible assets	1,024,844	-
Changes in assets and liabilities:		
(Decrease)/increase in trade creditors and accruals	(147,607)	140,526
Decrease/(increase) in trade and other receivables	10,823	(17,039)
Decrease in prepayments	1,359	-
(Decrease) in deferred tax liabilities	-	(82,217)
Cash flows (used in) operations	**(843,530)**	**(1,076,852)**

18. DISCONTINUED OPERATIONS

On 8 January 2014, the Group agreed to sell its 20% interests in permits PEL 457 and 479 to ERM Gas for $1.25m. Details in relation to this discontinued operation are disclosed below:

	GROUP	
	2014 $	2013 $
Exploration costs written off	-	(1,579,871)
Loss after income tax	-	(1,579,871)
Income tax expense	-	-
Loss after income tax from discontinued operations	**-**	**(1,579,871)**
Cash flow information:		
Net cash outflow from operating activities	-	-
Net cash inflow from investing activities	1,000,000	867,733
Net increase in cash and cash equivalents from discontinued operations	**1,000,000**	**867,733**
Carrying amount	250,000	1,250,000
Proposed sale consideration	-	1,250,000
Profit/(Loss) on proposed sale after income tax	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. RELATED PARTY TRANSACTIONS

(a) Parent entity
Red Sky Energy Ltd is the parent entity.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 13.

(c) Key management personnel
Disclosures in relation to key management personnel are set out in Note 20 and the Remuneration Report in the Director' Report. The transactions in the table below in Note 19(d) do not include amounts paid to key management personnel for remuneration.

(d) Transactions with related parties

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Entity		Amount $	Relationship
Energy Infrastructure and Resources Ltd	**2014**	184,580	Energy Infrastructure and Resources Ltd invoices the Company consulting charges for management of solar technology and exploration programs. Rohan Gillespie is a director of Energy Infrastructure and Resources Ltd and was a director of Red Sky Energy Ltd until 21 October 2014.
	2013	179,080	
Energy Infrastructure and Resources Ltd	**2014**	-	In 2013, Energy Infrastructure and Resources Ltd was a 58.7% shareholder of Soleir Limited. Red Sky Energy acquired Soleir effective 30 November 2012 with consideration payable of $146,200 subsequently paid to Energy Infrastructure and Resources Ltd in 2014. Rohan Gillespie is a director of Energy Infrastructure and Resources Ltd and was a director of Red Sky Energy Ltd until 21 October 2014.
	2013	146,200	

(e) Details of the amounts accrued but unpaid at the end of the year are as follows:

	Transaction	2014 $	2013 $
Energy Infrastructure and Resources Ltd	Consulting Fees	-	31,339
	Acquisition of Soleir Limited	-	146,200

(f) Loans to/from related parties
There were no loans to or from related parties as at the current or previous reporting date.

(g) Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of the names and positions of key management personnel and their remuneration are provided in the remuneration report in the Directors' Report. Summary disclosures are as follows:

	Group	
Key Management Personnel Compensation	**2014** **$**	**2013** **$**
Short-term employee benefits	284,268	466,000
Post-employment benefits	15,325	31,800
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	299,593	497,800

21. REMUNERATION OF AUDITORS

	GROUP	
	2014 **$**	**2013** **$**
Amounts received or due and receivable by RSM Bird Cameron for:		
Audit and audit review services	42,400	36,000
Other non audit services	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. PARENT ENTITY DISCLOSURES

(a) Summary financial information

	Parent	
	2014	**2013**
	$	**$**
Financial Position		
Assets		
Current assets	610,195	1,792,833
Non-current assets	501,803	1,042,779
Total assets	**1,111,998**	**2,835,612**
Liabilities		
Current liabilities	76,122	362,466
Non-current liabilities	55,000	-
Total liabilities	**131,122**	**362,466**
Net assets	**980,876**	**2,473,146**
Equity		
Issued share capital	31,820,725	31,505,176
Option expense reserve	1,490,000	1,490,000
Accumulated losses	(32,329,849)	(30,522,030)
Total equity	**980,876**	**2,473,146**
Financial Performance		
Loss for the year	(1,807,819)	(2,691,993)
Other comprehensive income	-	-
Total comprehensive income	**(1,807,819)**	**(2,691,993)**

(b) Guarantees

Red Sky Energy Limited has not entered into any guarantees in relation to the debts of its subsidiaries.

(c) Other Commitments and Contingencies

Red Sky Energy Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to year end the company received the balance of proceeds receivable of $250,000 in relation to the sale of its interests in permits PEL 457 and 479. In addition, previously restricted cash balances of $217,500 became unrestricted and available to the Company.

At a General Meeting of the Company on 11 March 2015, shareholders approved the following resolutions:

Resolution 1 – Ratification of prior issue of placement shares.
The issue of 420,229,122 fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to clients of Halcyon Corporate Pty Ltd on 14 November 2014.

Resolution 2 – Approval to issue placement shares.
The issue of 204,770,878 fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to clients of Halcyon Corporate Pty Ltd, as the second tranche of November 2014 share placement.

Resolution 3 – Approval to issue placement shares to Director – Mr R Krause.
The issue of 62.5 million fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to Mr Russell Krause as part of the share placement.

Resolution 4 – Approval to issue placement shares to Director – Mr A Wing.
The issue of 62.5 million fully paid ordinary shares at an issue price of $0.0008 (0.08 cents) to Mr Adrien Wing as part of the share placement.

Resolution 5 – Performance Rights Plan.
The establishment of the Red Sky Performance Rights Plan.

Resolution 6, 7 and 8 – Issue of Performance Rights – Mr R Krause, Mr C Carey and Mr A Wing.
The issue of a total of 75 million Performance Rights pursuant to the Red Sky Performance Plan (each entitling the holder, upon satisfaction of the applicable Milestone to one fully paid ordinary share in the capital of the company) to Mr Krause, Mr Carey and Mr Wing as set out in the table below:

Series	**Milestone:**	**Achieved:**	**Number of Performance Rights each:**
A	Market capitalisation of the Company of $5 million or more	Within 3 years (by 11 March 2018)	25 million
B	Market capitalisation of the Company of $7.5 million or more	Within 5 years (by 11 March 2020)	25 million
C	Raising a minimum of $1 million of capital	Within 5 years (by 11 March 2020)	25 million

On 16 March 2015, the Company announced the execution of a definitive document to acquire a 50% interest in the US based Cache Oilfield, Colorado ("Cache") through the issue of 1.29 billion shares at a deemed issue price of $0.001. As part of the acquisition there will also be an associated capital raising to raise a minimum of $600,000 up to a maximum of $1.5 million through the issue of between 600 million and 1.5 billion shares at an issue price of $0.001. Further to the capital raising component of this transaction the vendors of Cache will also receive a further issue of shares for any difference between the amounts of capital raised under the issue less than the maximum amount that could be raised. For example if only $1 million was raised then the vendors would receive a further 500 million shares again at a deemed price of $0.001. Implementation of the transaction remains subject to shareholder and regulatory approvals as well as completion of the due diligence process and capital raising.

Apart from the above, no other matters or circumstances have arisen since 31 December 2014 that have significantly affected, or may significant affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

24. COMMITMENTS AND CONTINGENCIES

The Consolidated Entity has no commitments or contingencies.

25. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods. The group's assessment of the impact of applicable new standards and interpretations is set out below:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2014-1	*Amendments to Australian Accounting Standards*	Part A: Annual Improvements 2010-2013 and 2011-2013 Cycles; Part B: Amendments to AASB 119 Employee Benefits in relation to the requirements for contributions from employees or third parties that are linked to the service; Part C: Materiality; Part D: Consequential Amendments arising from AASB 14; and Part E: Financial Instruments.	Parts A-C – July 2014 Part D – 1 January 2016; and Part E – 1 January 2015	No significant impact expected
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	Amends AASB 1 & 11	1 January 2016	No significant impact expected
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	Amends AASB 116 & 138	1 January 2016	No significant impact expected
AASB 2014-9	*Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*	Amends AASB 1, 127 & 128	1 January 2016	No significant impact expected
AASB 2014-10	*Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Amends AASB 10 &128	1 January 2016	No significant impact expected
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards*	Amends AASB 1, 2, 3, 7, 11, 110, 119, 121, 133, 134, 137 & 140	1 January 2016	No significant impact expected

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	Amends AASB 7, 101, 134 & 1049	1 January 2016	No significant impact expected
AASB 2015-3	*Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality*	This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	1 January 2016	No significant impact expected
AASB 15	*Revenue from Contracts with Customers*	This standard establishes a new control-based revenue recognition model which changes the basis for deciding whether revenue is to be recognised over time or at a point in time and provides new and more detailed guidance on specific topics and expands disclosures about revenue.	1 January 2017	No significant impact expected
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15*	Amends AASB 15	1 January 2017	No significant impact expected
AASB 9, and relevant amending standards	*Financial Instruments (December 2010)*	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2018	No significant impact expected.
AASB 2010-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010.	1 January 2018	No significant impact expected
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	Part C: Financial Instruments	Part C – 1 January 2015	No significant impact expected
AASB 2014-1	*Amendments to Australian Accounting Standards*	Part E: Financial Instruments	Part E – 1 January 2018	No significant impact expected
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	Amends AASB 9	1 January 2018	No significant impact expected
AASB 2014-8	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*	Amends AASB 9 (2009 & 2010)	1 January 2015	No significant impact expected

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

25. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (Continued)

AASB 2015-5	*Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*	This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	No significant impact expected
AASB 14	*Regulatory Deferral Accounts*	Specifies the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.	1 January 2016	No significant impact expected
AASB 2014-6	*Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*	This amending standard defines bearer plants, and requires bearer plants to be accounted for as property, plant and equipment within the scope of AASB 116 Property, Plant and Equipment.	1 January 2016	No significant impact expected

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 44, and the remuneration disclosures contained within the Remuneration Report, are in accordance with the *Corporations Act 2001* and:

    a) give a true and fair view of the financial position of the company and of the group as at 31 December 2014 and of its performance for the year ended on that date;

    b) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    c) the financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1(a)(i)

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

    a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;

    b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    c)) the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Adrien Wing
Director

Melbourne, Victoria
30 March 2015

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 8199
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT

THE MEMBERS OF

RED SKY ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Red Sky Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2014, and 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 year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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.

Opinion

In our opinion:

(a) the financial report of Red Sky Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year then ended; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Financial Report

We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the financial year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Red Sky Energy Limited for the financial year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Jason Croall

J S CROALL
Partner

Dated: 30 March 2015
Melbourne, Victoria

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

SHAREHOLDERS (Fully Paid Ordinary) 19 March 2015	NUMBER OF SHARES	Percentage
ENERGY INFRASTRUCTURE AND RESOURCES PTY LTD	180,000,000	8.57
ERM POWER LIMITED	150,000,000	7.14
ST BAKER INVESTMENTS PTY LTD	100,500,000	4.78
CYPRUS INVESTMENTS PTY LTD	86,619,781	4.12
RESOLVE GEO PTY LIMITED	80,000,000	3.81
MUNGALA INVESTMENTS PTY LTD	74,119,781	3.53
GXB PTY LTD	62,500,000	2.97
HALCYON CORPORATE PTY LTD	35,739,560	1.70
MS GREEN NOMINEES PTY LTD	31,250,000	1.49
BRAMSHOTT NOMINEES PTY LTD	31,250,000	1.49
KARMAH NOMINEES PTY LTD	30,000,000	1.43
FOR EVERY FREE AUSTRALIA PTY LTD	25,000,000	1.19
MR NICOLA LUCANO	17,000,000	0.81
MR BART RENSEN & MRS SUZANNE RENSEN	15,644,340	0.74
MARE E MONTI PTY LTD	15,000,000	0.71
METUGO PTY LTD	15,000,000	0.71
DURHAM ENERGY CONSULTING PTY LTD	15,000,000	0.71
MR CLEMENT MICHAEL HODDA	14,441,747	0.69
MR RONALD FABRE	14,000,000	0.67
LAMPAM PTY LTD	12,500,000	0.59
TOP 20 SHAREHOLDERS	1,005,565,209	47.85
TOTAL ISSUED SHARES	2,101,145,608	100%

Distribution schedule of the number of fully paid ordinary shareholders in each class of equity security.

By Class	Holder of Ordinary shares	Number of Ordinary shares	Percentage
1 – 1,000	39	6,821	0.00
1,001 - 5,000	34	117,335	0.01
5,001 – 10,000	73	661,690	0.03
10,001 – 100,000	957	51,451,210	2.45
100,001 and over	1,210	2,048,908,552	97.51
Totals	2,313	2,101,145,608	100 %

Share options unlisted as at 19 March 2015

Total Number of Options	Exercise Price	Expiry Date
60,000,000	2.25 Cents	31/03/2016
100,000,000	0.9 Cents	20/12/2016

ADDITIONAL SHAREHOLDER INFORMATION

A. CORPORATE GOVERNANCE

Refer to the Company's Corporate Governance Statement at www.redskyenergy.com.au

B. SHAREHOLDING

1. Substantial Shareholders

The following substantial Shareholders were listed on the Company's register as at 19 March 2015.

Shareholder	Number of Shares	Percentage
ENERGY INFRASTRUCTURE AND RESOURCES LTD	180,000,000	8.56
ERM POWER LIMITED	150,000,000	7.14

2. Unquoted Securities

There are no shareholders holding greater than 20% of a class of unquoted securities.

3. Number of holders in each class of equity securities and the voting rights attached.

At the general meeting, every ROG shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each share (which is fully paid). There are 2,313 holders of fully paid ordinary shares. The Company has no partly paid shares on issue.

4. Marketable parcel

There are 1,757 Shareholders with less than a marketable parcel as at 19 March 2015.

C. OTHER DETAILS

1. Company Secretary

Mr Adrien Wing

2. Address and telephone details of the entity's registered and administrative office

The address and telephone details of the registered and administrative office:

Level 17, 500 Collins Street
Melbourne VIC 3000

Telephone: + (61) 03 9614 0600
Facsimile: + (61) 03 9614 0550

3. Address and telephone details of the office at which a register of securities is kept

The address and telephone number of the office at which a registry of securities is kept:

Link Market Services Limited
Level 4, Central Park
152 St George Terrace
Perth WA 6000

Telephone: + (61) 08 9211 6670
Facsimile: + (61) 02 9287 0309

4. Stock exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange.

5. Restricted Securities

The Company has no restricted securities on issue.

6. Permit Schedule

Red Sky Energy Limited - Exploration Permit Schedule

Company:	Permit	Nature of Interest	Extent of Interest
Red Sky Energy			
Summerland Way Energy	PELA 135 (formerly PSPA 37)	application	right to earn 100%