



ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

ABN 94 099 116 275

Contents

CORPORATE DIRECTORY	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION.....	16
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ..	17
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	18
CONSOLIDATED STATEMENT OF CASHFLOWS	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	20
NOTES TO THE FINANCIAL STATEMENTS.....	21
DIRECTORS' DECLARATION	40
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS.....	41
SHAREHOLDER INFORMATION	45

CORPORATE DIRECTORY

Non-Executive Chairman	Mr Gordon Ramsay
Managing Director	Mr Andrew Knox
Non-Executive Director	Mr Clinton Carey
Non-Executive Director	Mr Adrien Wing
Company Secretaries	Mr Adrien Wing Ms Pauline Moffatt
Registered & Principal Office	Level 17, 500 Collins Street Melbourne VIC 3000
Auditor	RSM Australia Partners Level 21 55 Collins Street Melbourne VIC 3000
Solicitors	Quinert Rodda & Associates Level 6 400 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	Advanced Share Registry 110 Stirling Highway Nedlands WA 6009 Telephone: + 61 8 9389 8033

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 2019.

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 Gordon Ramsay – Non-Executive Chairman (appointed 6 November 2019)
Mr Andrew Knox – Managing Director
Mr Adrien Wing – Non-Executive Director
Mr Clinton Carey – Non-Executive Director

Mr Guy Le Page – Non-Executive Director (resigned 13 May 2019)

Company Secretaries

Mr Adrien Wing
Ms Pauline Moffatt (appointed 15 January 2019)

Principal Activities

The principal activities of the Group during the year were exploration for economic deposits of oil and gas.

Operating Results

The net operating loss of the Group for the year ended 31 December 2019 after income tax amounted to \$1,723,807 (31 December 2018: net operating loss \$1,156,287).

Review of Operations

Highlights

- The Company received ministerial consent to transfer the Innamincka Dome licences to its wholly owned subsidiary Red Sky (NT) Pty Ltd from Beach Energy Ltd (Beach, ASX: BPT). The South Australian Minister for Energy and Mining approved the registration of the Sale and Purchase Agreement (SPA). Consequently, the licences were transferred to Red Sky (NT) Pty Ltd.
- On 11 September the Company announced a Farmout Agreement with Santos Ltd (ASX: STO) for its Cooper Basin licences PRL's 14, 17, 18, 180, 181 and 182 that injects A\$9m in capital into Red Sky's Innamincka Dome projects.
- Fully carried Red Sky Cooper Basin work program begins to take shape, following the farm-out.
- Spur pipeline from Gold Nugget field acquired.
- During the year the Company placed 503 million fully paid ordinary shares to raise \$1,124,500 before associated costs.

Innamincka Dome, Cooper Basin

On 21 March 2019, the Company received ministerial consent to transfer the Innamincka Dome licences to its wholly owned subsidiary Red Sky (NT) Pty Ltd.

The South Australian Minister for Energy and Mining approved the registration of the Sale and Purchase Agreement (SPA) with Acer Energy Pty Ltd, a Beach subsidiary, to acquire that subsidiary's interests in the Innamincka Dome Project in the Cooper Basin, South Australia. Consequently, the licences were transferred to Red Sky (NT) Pty Ltd.

Only nominal consideration of \$1 is payable for the assets acquired under the SPA. However the Company is responsible for discharging all obligations arising in respect of the assets purchased, including all liabilities relating to the decommissioning, abandonment, rehabilitation, remediation or restoration of those assets.

This registration followed agreement to amend the SPA with Acer Energy Pty Ltd, a Beach subsidiary, to acquire that subsidiary's interests in the Innamincka Dome Project in the Cooper Basin, South Australia. The principal term of which was Beach will continue to provide financial security for the licences. Beach has subsequently been released from the financial security.

The Innamincka Dome Project comprises a portfolio of six highly prospective petroleum tenements (PRLs) near the township of Innamincka in northeast South Australia. Beach's interest in this portfolio comprises a 100% owned and operated stake in:

- PRL14 (Flax oil field which was previously producing);
- PRL17 (Yarrow gas field);
- PRL18 (Juniper oil field);
- PRL180;
- PRL181; and
- a 75% interest in PRL182 (remaining 25% later purchased from Bengal Energy (Australia) Pty Ltd).

The purchase of Beach's interest in the Innamincka Dome Project is inclusive of all existing production infrastructure, storage tanks, yards and camp facilities. This infrastructure is modern and in excellent operating condition. The project was suspended in 2015 due to the downturn in oil and gas markets. The Company is reviewing farm out opportunities and has commenced re-commissioning planning for the Innamincka Dome Project with a focus on resuming oil and gas production at Flax as soon as possible.

The acquisition affords Red Sky with a significant opportunity to leverage the recovery from the oil price downturn by returning quality shut-in assets to production at the Flax field. Further significant opportunities exist within the unexploited Yarrow gas field and the Juniper oil field. Evaluation of the remaining highly prospective tenements provides even more opportunities.

Mr Andrew Knox, CEO of Red Sky, agreed to lend to the Company the escrow amount (\$800,000) as an unsecured loan which he has agreed will not become repayable in circumstances where the demand for repayment would create an event of insolvency for the Company. The term is for up to 18 months at an interest rate of 10% per annum. The loan terms provide for the issue of 66,670,000 ordinary fully paid shares to Mr Knox, the issue of which was approved by shareholders at a general meeting. The loan contains terms which are typical for agreements of a similar nature. An amount of \$525,000 of this loan was repaid during the year and \$275,000 remains outstanding.

Farmout Agreement

On 11 September 2019, the Company announced a Farmout Agreement with Santos QNT Pty Ltd, a subsidiary of Santos Ltd (ASX: STO), for its Cooper Basin licences PRL's 14, 17, 18, 180, 181 and 182 that injects A\$9m in capital into Red Sky's Innamincka Dome projects.

This transaction accelerates the development strategy for Flax and Yarrow projects with a well-capitalised partner.

The terms of the Agreement provides for Santos to earn an 80% interest (and operatorship) in Red Sky's Cooper Basin licences (collectively known as the Innamincka Dome), along with the following considerations:

- Fund 100% of 50km² of 3D seismic over the Yarrow gas field in PRL17, up to a maximum gross cost of A\$1.0 million.
- Fund 100% of an appraisal well in the Yarrow gas field up to a maximum gross cost of A\$3.0 million.
- Fund 100% of an appraisal well in the Flax oil and gas field in PRL14, up to a maximum gross cost of A\$5.0 million.
- Fund 100% of any development of the fields with no cap, repaid out of production.
- The Farm Out Agreement, and the transfer of the 80% interest in the licences, was conditional on a number of standard approvals including ministerial approval and licence registration.

During the December quarter Santos assumed operatorship and management of the Innamincka Dome projects and undertook the following activities:

- Santos (as operator) has applied for approval from the Minister to vary and suspend certain conditions and extend the term of certain Innamincka Petroleum Retention Licences (PRLs) in order to efficiently coordinate their management and timing.

- Santos has also applied to vary the conditions of the licenses to group the six PRLs (into a Group Subject Area) so that any expenditure for one PRL applies against the overall expenditure target across all six licenses. This action is supported by Red Sky as it will encourage evaluation of the outer blocks (PRL 180, 181 & 182) where Red Sky sees significant oil and gas potential.

The proposed drilling of the Red Sky Flax oil field (PRL 14) horizontal well has now been scheduled into Santos Cooper Basin horizontal well program:

- Drilling of the Flax oil field (PRL 14) horizontal well is in the planning phase and final timing will be subject to the drilling order and timing of other wells already planned by Santos in its Cooper Basin horizontal well program.

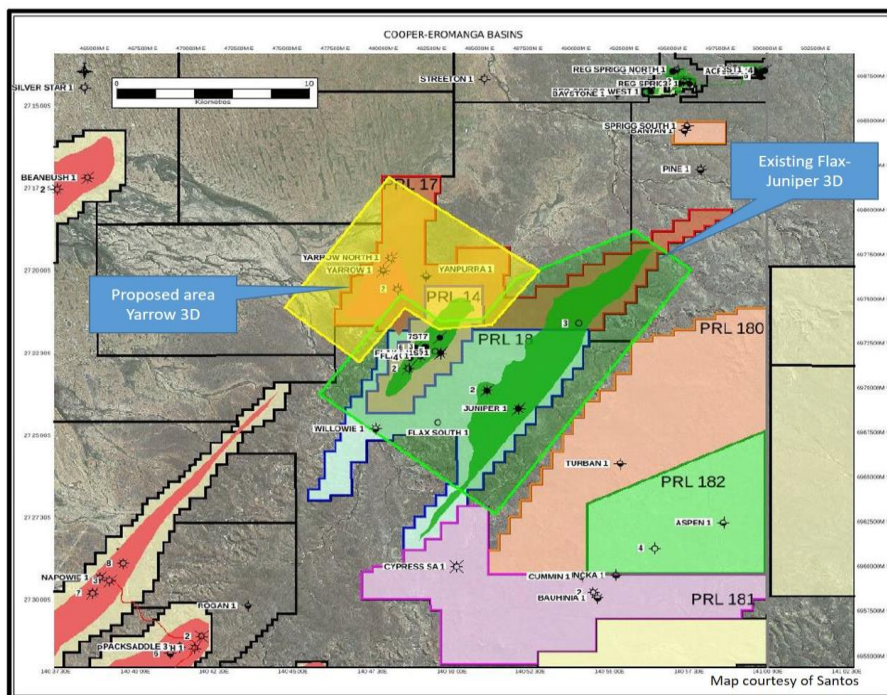
Activities focused on the evaluation of the Yarrow gas field (PRL 17) are to include:

- Acquisition of 50km² of new 3D seismic over the Yarrow gas field (PRL 17) is to be coordinated with other Santos Cooper Basin license seismic acquisition activities. Red Sky expect this will save significant costs.
- Drilling of the Yarrow gas field (PRL 17) appraisal well is planned to take place following the acquisition, processing and interpretation of the new Yarrow 3D seismic data, which is necessary to be completed before selecting the most promising drilling location.

Santos Farm Out Terms

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

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



Location map: Innamincka Dome PRLs.

Gold Nugget Gas Field

Gold Nugget is located in the Wind River Basin in Wyoming, one of the largest gas producing basins in the USA. Gold Nugget is a proven gas field with a single production well (completed to 14,000ft in 2004).



In August 2019 ROG established that Gold Nugget is commercially viable. Since then Red Sky has purchased the feeder gas line from the field to the main trunk line, invested in a second separator and a methanol injector system. The Gold Nugget #1-23 well has undergone a production test and flowed over three days at approximately 250mcfpd. Ongoing technical problems with the separator were addressed to enable the well to flow continuously. Due to recent inclement conditions, gas supply from the well has been severely reduced. This is an annual event and we expect to be producing at full capacity in the near future.

Corporate

On 20 March 2019 the Company placed 190 million fully paid ordinary shares at an issue price of \$0.0018 (0.18 cents) per ordinary share raising \$342,000 before associated costs.

On 11 April 2019 the Company issued 100 million shares to Taylor Collison upon Completion of the arrangement with Beach (see ASX announcement dated 10 July 2018).

On 26 September 2019 the Company placed 313 million fully paid ordinary shares at an issue price of \$0.0025 (0.25 cents) per ordinary share raising \$782,500 before associated costs.

As a means of minimizing cash spend, the Company issued a further 199,974,483 shares in lieu of their outstanding fees and accruals during the year. These share issues included shares issued to the Directors which were approved by shareholders at the Annual General Meeting on 15 May 2019 and a General Meeting on 4 December 2019.

During the year experienced investment banking executive, Mr Gordon Ramsay, was appointed as Non-Executive Chairman of the Company. Mr Ramsay's extensive networks and expertise in equity markets and the resource sector is expected to aid in the development of new opportunities. The Company welcomes Mr Ramsay to the Board.

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

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

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

Unsecured Loans

During of the period, the Company received unsecured loans of \$690,000 from directors and other third-party groups with an interest rate of 10% p.a. to assist with the funding restructure of the Innamincka Dome project. These loans were repaid.

The Company received further unsecured loans of \$800,000 (as referred to above in relation to the Innamincka project) and \$60,000 from directors at an interest rate of 10% p.a. As at 31 December an amount of \$275,000 owing to Mr Andrew Knox remained unpaid.

Significant Changes in the State of Affairs

Details on share issues during the year is included in Note 15 of the financial report.

Events Subsequent to Balance Date

On 20 January 2020, the Chinese Government announced an outbreak of novel coronavirus (COVID-19) in the city of Wuhan in Hubei Province. The outbreak was declared a pandemic by the World Health Authority on 11 March 2020. The COVID-19 outbreak has had a significant impact on global oil and gas markets. The future impacts of this pandemic on the operations and results of the Company is uncertain.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future years.

Likely developments

The group will focus on the exploration for economic deposits of oil and gas. It is the intention of the Board to continue the strategy of acquiring an oil and gas portfolio.

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. 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 Secretaries

Gordon Ramsay – Non Executive Chairman, B.Sc. (Applied Geophysics), M.B.A. (Finance and Marketing)

Mr Ramsay is a member of the Australian Institute of Company Directors (GAICD), American Association of Petroleum Geologists (AAPG), and a former treasurer at the Petroleum Exploration Society of Australia (PESA). He has held senior management positions for companies such as Ralton Asset Management, Royal Energy, FAR Ltd, UBS Investment Bank and Saloman Smith Barney (Citi Group).

Current Directorships:

Nil

Other Directorships within the last three years:

Nil

Andrew Knox – Managing Director – B.Comm, CA, CPA, FAICD

Mr Knox has over 35 years of experience in the upstream oil and gas sector. He has worked extensively throughout Australasia, South East Asia and North America with several entities and has been a director of several public resource companies. He was formerly a director and CFO of Cue Energy Resources Limited, a position he had held for 22 years. Mr Knox was appointed Director on 6 July 2018.

Current Directorships:

Rimfire Pacific Mining NL (since 18 March 2020)

Other Directorships within the last three years:

Nil

Clinton Carey – Non Executive 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 Directorships:

Nil

Other Directorships within the last three years:

Challenger Energy Limited (from 13 June 2018 to 3 July 2019)

Adrien Wing – Non Executive Director and Joint 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. Mr Wing resigned as a Director on 22 March 2016 and was re-appointed on 15 December 2016.

Current Directorships:

High Grade Metals Limited (since 8 October 2018)

Mithril Resources Limited (since 15 May 2019)

Other Directorships within the last three years:

Nil

Pauline Moffatt – Joint Company Secretary, B.Comm, GAICD, FGIA ICSA

Ms Moffatt is a graduate of the Australian Institute of Company Directors (GAICD) and a fellow GIA ICSA of the Governance Institute of Australia. Ms Moffatt has a wealth of experience, providing specialised accounting and company secretary services to public companies for over 20 years. Ms Moffatt was appointed Joint Company Secretary on 15 January 2019.

Meetings of Directors

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

Director	Board meetings held	Board meetings attended
Gordon Ramsay	2	2
Guy Le Page	9	9
Clinton Carey	18	18
Adrien Wing	18	18
Andrew Knox	18	17

Securities held and controlled by Directors

As at the date of this report, the interests of Directors in securities of the Company were as follows:

Holder	Ordinary Shares	Performance Rights
Gordon Ramsay	-	-
Andrew Knox	84,442,222	150,000,000
Clinton Carey	51,544,933	10,000,000
Adrien Wing	51,990,111	10,000,000
Total	187,977,266	170,000,000

Performance Rights granted to directors

Performance Rights were issued to directors following shareholder approval on 10 September 2018 (Mr Andrew Knox 30,000,000, Mr Clinton Carey 10,000,000 and Mr Adrien Wing 10,000,000) as included above.

The 20,000,000 Performance Rights issued to the Non-Executive Directors are subject to the following vesting condition:

- The achievement of production (of a saleable quantity) at the Innamincka Dome Project no later than 11 September 2020.

The 30,000,000 Performance Rights issued to Mr Knox in 3 tranches of 10,000,000 each are subject to the following vesting conditions:

- Tranche 1: The volume weighted average price (VWAP) of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 0.6 cents.
- Tranche 2: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 1.2 cents.
- Tranche 3: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 2.4 cents.

During the financial year, 120,000,000 Performance Rights were issued to Mr Andrew Knox following shareholder approval on 15 May 2019 subject to the following vesting condition:

- The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project.

Shares under option or issued on exercise of options

There are no unissued shares. Interests under option as at the date of this report are as follows:

Expiry Date	Exercise Price (cents)	Number on issue – 2018	Issued during year	Lapsed during year	Exercised during year	Number on issue
30/11/2019	1.00	280,809,480	-	(280,809,480)	-	-
Total Options Issued		280,809,480	-	(280,809,480)	-	-

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 year included:

Directors

Mr Gordon Ramsay – Non-Executive Chairman (appointed 6 November 2019)

- Director fees set at \$48,000 per annum inclusive of superannuation.

Mr Andrew Knox – Managing Director (appointed 6 July 2018)

- Director salary set at \$156,000 per annum plus superannuation.
- 30,000,000 Performance Rights were issued following shareholder approval on 10 September 2018. The 30,000,000 Performance Rights issued in 3 tranches of 10,000,000 each are subject to the following vesting conditions:
 - Tranche 1: The volume weighted average price (VWAP) of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 0.6 cents.
 - Tranche 2: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 1.2 cents.
 - Tranche 3: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 2.4 cents.
- 120,000,000 Performance Rights were issued following shareholder approval on 15 May 2019 subject to the following vesting condition:
 - The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project.
- In addition to annual reviews, Mr Knox's base salary may:
 - increase to \$312,000 per annum plus superannuation upon the Company's EBITDA exceeding \$2,000 per day for 90 consecutive days (average); and
 - increase to \$468,000 per annum plus superannuation upon the Company's EBITDA exceeding \$4,000 per day for 90 consecutive days (average); and
 - increase to \$624,000 per annum plus superannuation upon the Company's EBITDA exceeding \$6,000 per day for 90 consecutive days (average).
- The Company may terminate Mr Knox's salary by giving not less than 6 months written notice, or upon payment of 6 months' base salary in lieu of notice.

Mr Guy Le Page – former Non-Executive Chairman

- Director fees were set at \$36,000 per annum.
- 10,000,000 Performance Rights following shareholder approval on 10 September 2018 were issued to Mr Le Page subject to the following vesting condition:
 - The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project no later than 11 September 2020.

Mr Clinton Carey – Non-Executive Director

- Director fees set at \$36,000 per annum.
- Consulting fees of \$106,575 earned during 2019 for corporate advisory services.
- 10,000,000 Performance Rights following shareholder approval on 10 September 2018 were issued to Mr Carey subject to the following vesting condition:
 - The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project no later than 11 September 2020.

Mr Adrien Wing – Non-Executive Director and Company Secretary

- Director fees set at \$36,000 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.
- Consulting fees of \$43,000 earned during 2019 for corporate advisory services.
- 10,000,000 Performance Rights following shareholder approval on 10 September 2018 were issued to Mr Wing subject to the following vesting condition:
 - The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project no later than 11 September 2020.

C. Details of Remuneration

The key management personnel of Red Sky Energy Limited during the years ended 31 December 2019 and 2018 included all directors mentioned above. There are no other executives of the Company which are required to be disclosed.

Remuneration packages contain the following key elements:

- Primary benefits – salary and consulting fees;
- Equity – share options, performance rights and other equity securities; and
- Other benefits.

Nature and amount of remuneration:

2019	Short-term employee benefits			Post - employment benefits	Equity Performance related		Total \$
	Director Fees/Salary \$	Company secretarial, or consulting fees \$	Annual Leave Accrual \$	Superannuation \$	Options \$	Performance Rights \$	
Directors							
G Ramsay ⁽¹⁾	6,697	-	-	636	-	-	7,333 *
G Le Page ⁽²⁾	6,000	-	-	-	-	-	6,000 *
A Knox	156,000	-	4,508	14,820	-	-	175,328 *
C Carey	36,000	106,575	-	-	-	-	142,575 *
A Wing ⁽³⁾	36,000	109,000	-	-	-	-	145,000 *
TOTAL	240,697	215,575	4,508	15,456	-	-	476,236

2018	Short-term employee benefits			Post - employment benefits	Equity Performance related		Total \$
	Director Fees/Salary \$	Company secretarial, or consulting fees \$	Annual Leave Accrual \$	Superannuation \$	Options \$	Performance Rights \$	
Directors							
G Le Page	36,000	-	-	-	-	-	36,000
A Knox ⁽⁴⁾	73,864	-	5,991	7,017	-	87,700	174,572
C Carey	36,000	85,425	-	-	-	-	121,425
A Wing ⁽³⁾	36,000	66,000	-	-	-	-	102,000
TOTAL	181,864	151,425	5,991	7,017	-	87,700	433,997

* During 2019 the Directors accepted non-cash payment of amounts owing. Following approval by shareholders at general meetings, shares were issued in lieu of cash to Mr G Le Page (\$9,900), Mr A Knox (\$31,990), Mr C Carey (\$90,205) and Mr A Wing (\$86,713).

Details of the cash amounts paid during the 2019 year were as follows:

Mr G Ramsay was paid \$nil for outstanding director fees and superannuation.

Mr G Le Page was paid \$3,000 for outstanding director fees.

Mr C Carey was paid \$32,313 for outstanding consulting and director fees.

Mr A Knox was paid \$117,328 for outstanding salary and superannuation.

Mr A Wing was paid \$45,383 for outstanding director and company secretarial fees.

(1) G Ramsay was appointed as a Director on 6 November 2019.

(2) G Le Page resigned as a Director on 13 May 2019.

(3) The fees for A Wing include \$66,000 per annum for company secretarial services.

(4) A Knox was appointed as a Director on 6 July 2018.

D. Key Management Personnel Equity Holdings

As at 31 December 2019, the interests of the Directors in shares, options and performance rights of the Company were:

Ordinary Shares

Holder	Balance at beginning of the year	Granted as compensation	Options exercised	Net change other *	Final Interest	Balance at end of the year
Gordon Ramsay	-	-	-	-	-	-
Andrew Knox	-	-	-	84,442,222	-	84,442,222
Adrien Wing	11,594,000	-	-	40,396,111	-	51,990,111
Clinton Carey	9,208,783	-	-	42,336,150	-	51,544,933
Guy Le Page	1,000,000	-	-	-	-	1,000,000

* Net change other includes shares acquired or disposed of during the year.

Options

Holder	Balance at beginning of the year	Granted as compensation	Options exercised	Expired	Final interest	Balance at end of the year	Vested and exercisable	Vested but not exercisable	Options vested during the year
Gordon Ramsay	-	-	-	-	-	-	-	-	-
Andrew Knox	-	-	-	-	-	-	-	-	-
Adrien Wing	11,922,000	-	-	(11,922,000)	-	-	-	-	-
Clinton Carey	9,922,002	-	-	(9,922,002)	-	-	-	-	-
Guy Le Page	500,000	-	-	-	(500,000)	-	-	-	-

Performance Rights

Holder	Balance at beginning of the year	Granted as compensation	Rights exercised	Rights lapsed	Final Interest	Balance at end of the year
Gordon Ramsay	-	-	-	-	-	-
Andrew Knox	30,000,000	120,000,000	-	-	-	150,000,000
Adrien Wing	10,000,000	-	-	-	-	10,000,000
Clinton Carey	10,000,000	-	-	-	-	10,000,000
Guy Le Page	10,000,000	-	-	-	(10,000,000)	-

E. Share-based Compensation

Other than the above Performance Rights granted as compensation, there was no share-based compensation 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

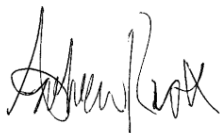
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

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 Australia Partners to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2019. 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.



Andrew Knox
Managing Director

27 March 2020

RSM Australia Partners

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F +61 (0) 3 9286 8199

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the annual financial report of Red Sky Energy Limited for the year ended 31 December 2019, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM AUSTRALIA PARTNERS



J S CROALL

Partner

Dated: 27 March 2020
Melbourne, Victoria

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Group	
		2019	2018
		\$	\$
Revenue from continuing operations	5	112	2,416
Administration and travel expenses		(342,374)	(375,924)
Corporate advisory and consulting fees		(48,455)	(223,042)
Director remuneration	20	(476,236)	(433,997)
Employee entitlements		(135,391)	(77,100)
Legal fees		(45,470)	(43,496)
Finance costs		(394,136)	(4,056)
Finance costs – share based payment		(100,000)	-
Acquisition costs – share based payment		(180,000)	-
Depreciation		(1,857)	(1,088)
Loss from continuing operations before income tax		(1,723,807)	(1,156,287)
Income tax benefit		-	-
Net loss for the year		(1,723,807)	(1,156,287)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation		6,035	115,345
Total comprehensive loss for the year, net of tax		(1,717,772)	(1,040,942)
Basic and diluted (loss) per share – overall (cents per share)	17	(0.14)	(0.17)

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 2019

	Notes	Group	
		2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	8	119,329	90,801
Trade and other receivables	9	22,846	19,788
Prepayments		56,454	43,172
Total current assets		198,629	153,761
Non-Current Assets			
Plant and equipment	10	2,216	4,073
Other financial assets	12	22,037	21,929
Exploration and evaluation assets	13	1,116,094	1,047,833
Total Non-Current Assets		1,140,347	1,073,835
Total Assets		1,338,976	1,227,596
Current Liabilities			
Trade and other payables		302,984	355,049
Provisions		19,318	11,289
Borrowings	14	314,322	112,550
Total Current Liabilities		636,624	478,888
Total Liabilities		636,624	478,888
Net Assets		702,352	748,708
Equity			
Issued share capital	15	39,967,552	38,302,284
Reserves	16	264,258	252,075
Accumulated losses		(39,529,458)	(37,805,651)
Total Equity		702,352	748,708

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 2019

	Notes	Group	
		2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(725,873)	(799,430)
Interest and finance costs paid		(355,261)	(3,998)
Interest received		112	2,338
Net cash used in operating activities	18	(1,081,022)	(801,090)
Cash flows from investing activities			
Exploration and evaluation expenditure		(62,226)	(42,856)
Payments for plant and equipment		-	(3,755)
Deposits refunded/(paid)		(108)	19,549
Net cash used in investing activities		(62,334)	(27,062)
Cash flows from financing activities			
Proceeds from issues of shares		1,124,500	663,574
Proceeds from issues of convertible loans		-	50,000
Capital raising costs		(43,745)	(37,180)
Borrowing transaction costs		(32,000)	-
Repayment of borrowings		(1,426,871)	(56,619)
Proceeds from borrowings		1,550,000	90,000
Net cash flows provided by financing activities		1,171,884	709,775
Net (decrease)/increase in cash and cash equivalents		28,528	(118,377)
Cash and cash equivalents at the beginning of the financial year		90,801	209,178
Cash and cash equivalents at the end of the financial year	8	119,329	90,801

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 2019

Consolidated	2019			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
Balance at beginning of year	38,302,284	(37,805,651)	252,075	748,708
Loss for the year	-	(1,723,807)	-	(1,723,807)
Other comprehensive loss for the year	-	-	6,035	6,035
Total comprehensive loss for the year	-	(1,723,807)	6,035	(1,717,772)
Transactions with equity holders in their capacity as equity holders				
Issues of share capital (net of costs)	1,665,268	-	-	1,665,268
Share based payments - Performance Rights	-	-	6,148	6,148
	1,665,268	-	6,148	1,671,416
Balance at the end of the year	39,967,552	(39,529,458)	264,258	702,352

Consolidated	2018			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
Balance at beginning of year	37,495,890	(36,649,364)	49,030	895,556
Loss for the year	-	(1,156,287)	-	(1,156,287)
Other comprehensive loss for the year	-	-	115,345	115,345
Total comprehensive loss for the year	-	(1,156,287)	115,345	(1,040,942)
Transactions with equity holders in their capacity as equity holders				
Issues of share capital (net of costs)	806,394	-	-	806,394
Share based payments – Performance Rights	-	-	87,700	87,700
	806,394	-	87,700	894,094
Balance at the end of the year	38,302,284	(37,805,651)	252,075	748,708

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 2019

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 and Interpretations and the *Corporations Act 2001*. Red Sky Energy Limited and its subsidiaries (the Group) is a for-profit entity for the purpose of preparing the financial statements.

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 Directors have reviewed and applied all new accounting standards and amendments applicable for the first time in the financial year commencing 1 January 2019 and determined that there was no material impact on the financial statements.

(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 the Group complies with International Financial Reporting Standards (IFRSs).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iii) 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).

(iv) Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the recognition and settlement of liabilities in the normal course of business.

The consolidated entity incurred a loss of \$1,723,807 and had net cash outflows from operating activities of \$1,081,022 for the year ended 31 December 2019. In addition, as at 31 December 2019, the consolidated entity had a deficiency in working capital of \$437,995. The various matters detailed above give rise to the existence of a material uncertainty that cast significant doubt on the ability of the group to continue as a going concern.

Notwithstanding this, the Directors are satisfied that the consolidated entity will have sufficient cash resources to meet its working capital requirements in the future. The Directors have reviewed the cashflow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the consolidated entity has the ability to meet its debts as and when they fall due. The Directors believe there are sufficient funding strategies and alternatives to meet working capital requirements should the need arise including:

- Directors have agreed to temporarily accrue their remuneration payments and may have amounts owing satisfied by future share issues, subject to the approval of shareholders;
- Managing and reducing operational costs to a minimum level;
- Consideration of re-arranging agreements on existing projects through sale or deferring expenditure; and
- The consolidated entity expects to raise funds through future capital raisings.

On the basis that sufficient cash inflows are expected to be raised from future capital raisings (pursuant to ASX listing rules 7.1 and 7.1A) to fund further activities for at least 12 months after the date of this report, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate. Although the Directors believe they will be successful in these measures, there remains a material uncertainty that may cast significant doubt on the Company and its controlled entities' ability to continue as a going concern and therefore their ability to realise assets and extinguish liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 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 concluded that the correct classification is '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 identified 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 oil and gas industry. Refer to Note 4 for details.

(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. Revenue is recognised as follows:

(e) 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.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

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

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

(h) Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(i) 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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	3 Years
--------------------	---------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(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.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) 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.

(p) 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.

(q) 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 or Monte-Carlo simulation methods. 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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) 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.

(s) 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.

(t) 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 2019

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	
	2019 \$	2018 \$
Security deposits	22,037	21,929
Cash and cash equivalents (interest-bearing accounts)	119,329	90,801
Net exposure	141,366	112,730

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At the reporting date, 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%	707	564
- 0.5%	(707)	(564)
Equity – higher / (lower)		
+ 0.5%	707	564
- 0.5%	(707)	(564)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. FINANCIAL RISK MANAGEMENT

Commodity Price and Foreign Currency Risk

The Group's exposure to commodity price is minimal at present.

Foreign currency risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured, monitored and managed using cash flow forecasting. The consolidated entity does not enter into any hedging contracts. The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities the reporting date was minimal.

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 2019							
Non-interest bearing							
Trade and other payables	302,984	-	-	-	-	302,984	302,984
Interest bearing							
Borrowings	282,866	15,728	15,728	-	-	314,322	314,322
As at 31 December 2018							
Non-interest bearing							
Trade and other payables	355,049	-	-	-	-	355,049	355,049
Interest bearing							
Borrowings	112,750	-	-	-	-	112,750	112,750

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks, security deposits 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 mainly 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 other 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.

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

Exploration 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.

4. SEGMENT REPORTING

The Group operated predominately as an explorer with the view to identify attractive oil and gas deposits of sufficient scale to provide sustainable returns to shareholders.

The directors do not believe that there are any reportable segments that meet the requirements of Accounting Standard AASB 8 Segment Reporting, on the basis that the chief operating decision maker, being the Board of Directors, review geological results and other qualitative measures as a basis for decision making. Financial results are reviewed on a consolidated group basis.

Types of products and services

The Group currently has no significant revenue from products or services.

Major customers

The Group has no reliance on major customers.

Geographical areas

The Group's exploration assets were located in the United States and Australia during the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE

	Group	
	2019 \$	2018 \$
Interest income	112	2,416
Total	112	2,416

6. EXPENSES

	Group	
	2019 \$	2018 \$
Loss from continuing operations before income tax has been determined after including superannuation expense as follows:		
Directors Superannuation	15,456	7,017
Employee Superannuation	10,908	6,229
Total	26,364	13,246

7. INCOME TAX

	Group	
	2019 \$	2018 \$
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	(1,723,807)	(1,156,287)
Income tax benefit calculated at 27.5% (2018: 27.5%)	(474,047)	(317,979)
Effect of expenses that are not deductible in determining taxable profit	79,189	28,359
Temporary differences and tax losses in the current year for which no deferred tax asset has been brought to account	394,858	289,620
Income tax benefit	-	-
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(r) occur:	7,238,476	7,058,692

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. CASH AND CASH EQUIVALENTS

	Group	
	2019	2018
	\$	\$
Cash at bank	119,329	90,801

9. TRADE AND OTHER RECEIVABLES

	Group	
	2019	2018
	\$	\$
Current		
Other Receivables	22,846	19,788

10. PLANT AND EQUIPMENT

	Group	
	2019	2018
	\$	\$
Non-Current		
Computer equipment	5,572	5,572
Less: Accumulated depreciation	(3,356)	(1,499)
	2,216	4,073
Reconciliations of movements:		
Opening Balance	4,073	1,406
Additions	-	3,755
Depreciation expense	(1,857)	(1,088)
Closing Balance	2,216	4,073

11. INVESTMENT IN CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest	
		2019	2018
		%	%
Cydonia Resources Pty Ltd	Australia	-	100
Norwest Hydrocarbons Pty Ltd	Australia	-	100
Surat Resources Pty Ltd	Australia	-	100
Red Sky NT Pty Ltd	Australia	100	100
Summerland Way Energy Pty Ltd	Australia	100	100
Red Sky Gold Nugget LLC	United States	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. OTHER FINANCIAL ASSETS

	Group	
	2019	2018
	\$	\$
Security deposits	22,037	21,929

13. EXPLORATION AND EVALUATION ASSETS

	Group	
	2019	2018
	\$	\$
Opening balance	1,047,833	917,819
Additions	62,226	14,669
Foreign exchange movement	6,035	115,345
	1,116,094	1,047,833

14. BORROWINGS

	Group	
	2019	2018
	\$	\$
Director loans (refer Note 19)	275,000	90,000
Loan for insurance funding	39,322	22,550
	314,322	112,550

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. ISSUED CAPITAL

(a) Share Capital

Ordinary shares	Group	
	2019 \$	2018 \$
1,626,183,277 fully paid ordinary shares (31 December 2018: 823,208,794)	39,967,552	38,302,284
Movements during the year:		
Beginning of year - 823,208,794 fully paid ordinary shares (2017: 608,727,909)	38,302,284	37,495,890
Shares issued during the prior year	-	883,174
133,304,483 shares issued to creditors	281,948	-
66,670,000 shares issued related to finance costs	100,000	-
100,000,000 shares issued related to exploration acquisition costs	180,000	-
190,000,000 shares issued @ \$0.0018	342,000	-
313,000,000 shares issued @ \$0.0025	782,500	-
Equity Raising Expenses	(21,180)	(76,780)
	39,967,552	38,302,284

(b) Options

Expiry Date	Exercise Price (cents)	Number on issue – 2018	Issued during year	Lapsed during year	Exercised during year	Number on issue - 2019
30/11/2019	1.00	280,809,480	-	(280,809,480)	-	-
Total		280,809,480	-	(280,809,480)	-	-

The above Options lapsed during the year at the expiry date of 30 November 2019.

(c) Performance Rights

Expiry Date	Fair Value per Right (cents)	Amount expensed \$	Recipients	Issued during year	Lapsed during year	Number on issue at year end
11/9/2020			Non-Executive Directors	-	-	30,000,000
11/9/2023			A Knox - Tranche 1	-	-	10,000,000
11/9/2023			A Knox - Tranche 2	-	-	10,000,000
11/9/2023			A Knox - Tranche 3	-	-	10,000,000
n/a			A Knox	120,000,000	-	120,000,000
1/6/2020	0.25	4,098	Employee	10,000,000	-	10,000,000
1/12/2020	0.25	2,049	Employee	10,000,000	-	10,000,000
Total		6,147		140,000,000	-	200,000,000

The 120,000,000 Performance Rights issued to Mr Andrew Knox are subject to the following vesting condition:

- The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project.

The 20,000,000 Performance Rights issued to an employee are subject to the following vesting conditions:

- 10,000,000 vesting upon 6 months of continuous employment with the Company; and
- 10,000,000 vesting upon 12 months of continuous employment with the Company.

Performance Rights were issued to directors following shareholder approval on 10 September 2018 (Mr Andrew Knox 30,000,000, Mr Guy Le Page 10,000,000, Mr Clinton Carey 10,000,000 and Mr Adrien Wing 10,000,000) as described above.

The 30,000,000 Performance Rights issued to the Non-Executive Directors are subject to the following vesting condition:

- The achievement of production (being production of a saleable quantity) at the Innamincka Dome Project no later than 11 September 2020.

The 30,000,000 Performance Rights issued to Mr Andrew Knox in 3 tranches of 10,000,000 each are subject to the following vesting conditions:

- Tranche 1: The volume weighted average price (VWAP) of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 0.6 cents.
- Tranche 2: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 1.2 cents.
- Tranche 3: The VWAP of the Company's shares over 14 consecutive days on which trades in the Company's shares are recorded meets or exceeds 2.4 cents.

The fair value of the Performance Rights granted is estimated using a Monte-Carlo model taking into account the terms and conditions upon which the Performance Rights were granted. The model inputs used an expected volatility of 100%, and a share price at the grant date of 0.4 cents.

* The probability of the non-market condition being met is ignored for assessing fair value. At year end it was not considered probable that the non-market condition would be achieved and therefore no expense has been recorded for these Performance Rights.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. RESERVES

	Group	
	2019 \$	2018 \$
Share based payments reserve	162,848	156,700
Foreign currency translation reserve	101,410	95,375
	264,258	252,075
Opening balance	252,075	49,030
Movements during the year:		
Share based payments – performance rights issued	6,148	87,700
Foreign currency translation	6,035	115,345
	264,258	252,075

Nature and purpose of reserves:

Share based payments reserve records the value of options and performance rights issued which have been taken to expenses.

Foreign currency translation reserve recognises exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

17. LOSS PER SHARE

	Group	
	2019 \$	2018 \$
Reconciliation of earnings to net loss		
Net loss	(1,723,807)	(1,156,287)
Calculation of basic and dilutive EPS – continued operations (cents)	(0.14)	(0.17)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	Number 1,218,127,521	Number 697,659,292

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. CASH FLOW INFORMATION

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

	GROUP	
	2019 \$	2018 \$
Loss after income tax	(1,723,807)	(1,156,287)
Non cash flows in loss:		
Share based payments	568,096	267,700
Depreciation	1,857	1,088
Changes in assets and liabilities:		
Increase in trade creditors and accruals	81,143	91,187
Increase in provisions	8,029	11,289
(Increase)/decrease in trade and other receivables	(3,058)	(13,575)
(Increase)/decrease in prepayments	(13,282)	(2,492)
Cash flows used in operating activities	(1,081,022)	(801,090)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 11.

(c) Key management personnel

Disclosures in relation to key management personnel are set out in Note 20 and the Remuneration Report in the Directors' 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
RM Corporate Finance Pty Ltd	2019	Corporate advisory services provided. RM Corporate Finance Pty Ltd is a related entity of Mr Guy Le Page, a former director.
	2018	

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

Cyprus Investments Pty Ltd (a related entity of Mr Clinton Carey) was owed \$90,390 (2018: \$62,133) for outstanding consulting and director fees.

Mr Guy Le Page was owed \$nil (2018: \$6,000) for outstanding director fees.

Mr Andrew Knox was owed \$35,737 (2018: \$14,235) for salary and superannuation and \$nil (2018: \$8,160) for outstanding consulting fees and expenses.

Mr Gordon Ramsay was owed \$7,333 (2018: \$nil) for salary and superannuation.

Mr Adrien Wing was owed \$84,862 (2018: \$64,075) for outstanding director and company secretarial fees.

(f) Loans to/from related parties

Mr Andrew Knox provided an unsecured loan of \$800,000 to the Company during the 2019 year. A loan establishment fee of \$100,000 on the loan was satisfied by the issue of shares following shareholder approval on 15 May 2019. There is no repayment date on the loan. Interest is charged at 10% per annum. An amount of \$525,000 was repaid during the year. The loan balance owing at 31 December 2019 was \$275,000 and interest owing of \$6,875.

Mr Andrew Knox and Mr Adrien Wing provided an unsecured loan of \$30,000 each (total of \$60,000) to the Company during the 2019 year. There was no repayment date on the loans. Interest was charged at 10% per annum. These loans were repaid in full during the 2019 year.

Mr Andrew Knox, Mr Clinton Carey and Mr Adrien Wing provided an unsecured loan of \$30,000 each (total of \$90,000) to the Company during the 2018 year. There was no repayment date on the loans. Interest was charged at 10% per annum. These loans were repaid in full during the 2019 year.

(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 2019

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	
	2019 \$	2018 \$
Key Management Personnel Compensation		
Short-term employee benefits	460,780	339,280
Post employee benefits	15,456	7,017
Share-based payments	-	87,700
Total	476,236	433,997

21. REMUNERATION OF AUDITORS

	GROUP	
	2019 \$	2018 \$
Amounts received or due and receivable by RSM Australia Partners for:		
Audit and audit review services	39,633	38,460

22. COMMITMENTS AND CONTINGENCIES

The consolidated entity has no commitments or contingencies.

23. EVENTS SUBSEQUENT TO BALANCE DATE

On 20 January 2020, the Chinese Government announced an outbreak of novel coronavirus (COVID-19) in the city of Wuhan in Hubei Province. The outbreak was declared a pandemic by the World Health Authority on 11 March 2020. The COVID-19 outbreak has had a significant impact on global oil and gas markets. The future impacts of this pandemic on the operations and results of the Company is uncertain.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

24. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods. The group's assessment of the impact of applicable new standards and interpretations is there will be no significant impact.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. PARENT ENTITY DISCLOSURES

(a) Summary financial information

	Parent	
	2019 \$	2018 \$
Financial Position		
Assets		
Current assets	198,629	153,550
Non-current assets	1,060,682	1,000,205
Total assets	1,259,311	1,153,755
Liabilities		
Current liabilities	636,624	478,888
Non-current liabilities	-	55,000
Total liabilities	636,624	533,888
Net assets	622,687	619,867
Equity		
Issued share capital	39,967,552	38,302,284
Share based payments reserve	162,848	156,700
Accumulated losses	(39,507,713)	(37,839,117)
Total equity	622,687	619,867
Financial Performance		
Loss for the year	(1,668,596)	(1,156,287)
Other comprehensive income	-	-
Total comprehensive income	(1,668,596)	(1,156,287)

(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

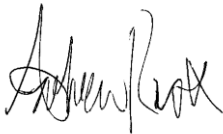
Red Sky Energy Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 39, 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 group as at 31 December 2019 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.



Andrew Knox
Managing Director

Melbourne, Victoria
27 March 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of Red Sky Energy Limited

Opinion

We have audited the financial report of Red Sky Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (a) (iv) in the financial report, which indicates that the Group incurred a net loss of \$1,723,807 and had net cash outflows from operating activities of \$1,081,022 during the year ended 31 December 2019 and as at that date, the Group had net current liabilities amounting to \$437,995. As stated in Note 1(a) (iv), these conditions, along with other matters as set forth in Note 1 (a) (iv), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 23 of the financial report, which describes the effects on the operations of the company of the COVID-19 virus. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Carrying value of capitalised Exploration and evaluation assets Refer to Note 13 in the financial statements	
<p>The Group has capitalised exploration expenditure with a carrying value of \$1,391,094. We determined this to be a key audit matter because capitalised exploration expenditure represents 86% of the total assets and due to the significant management judgment involved in assessing the carrying value in accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, including:</p> <ul style="list-style-type: none"> • Determination of whether expenditure can be associated with finding specific mineral resources, and the basis on which that expenditure is allocated to an area of interest. • Assessing whether any indicators of impairment are present, and if so, judgments applied to determine and quantify any impairment loss. • Determination of whether exploration activities have progressed to the stage at which the existence of an economically recoverable mineral reserve may be assessed. 	<p>Our audit procedures in relation to the carrying value of exploration and evaluation assets included:</p> <ul style="list-style-type: none"> • Gaining an understanding of management's ongoing exploration plans and short-term budgeted expenditure; • Discussing with management the status of work undertaken and planned; • Assessing and evaluating management's assessment that no indicators of impairment existed in relation to this asset; • Agreeing a sample of the additions to Exploration and evaluation assets during the financial year to supporting documentation, and ensuring that the capitalised amounts were capital in nature and in line with the Group's accounting policy; and • Corroborating the accuracy of the translation of the asset from USD to AUD.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2019; but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 15 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Red Sky Energy Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



RSM AUSTRALIA PARTNERS



J S CROALL

Partner

Dated: 27 March 2020
Melbourne, Victoria

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

SHAREHOLDERS (Fully Paid Ordinary) 23 March 2020

	NUMBER OF SHARES	Percentage
CASHMERE DELL PTY LTD <GILL FAMILY SUPER A/C>	111,904,281	6.88
ABACUS ENTERPRISES PTY LTD	84,442,222	5.19
MR MAVRODIS NESTOR	70,000,000	4.30
MRS MARGARET ANNE GILL	70,000,000	4.30
CYPRUS INVESTMENTS PTY LTD	51,544,933	3.17
CITICORP NOMINEES PTY LTD	49,815,378	3.06
NORTHERN STAR NOMINEES PTY LTD	40,396,111	2.48
SCINTILLA STRATEGIC INVESTMENTS LIMITED	40,000,000	2.46
J P MORGAN NOMINEES AUSTRALIA PTY LTD	32,012,920	1.97
MR SEONG YUN KANG	30,479,106	1.87
MR MARK SIMON NAYTON	30,000,000	1.84
NESTOR FAMILY SUPERANNUATION PTY LTD <NESTOR FAM SF A/C>	30,000,000	1.84
CLEANWEST PROPERTY SERVICES PTY LTD	25,000,000	1.54
QUITO SF PTY LTD <QUITO SUPERFUND A/C>	20,000,000	1.23
MR RAYMOND JOHN COLLINS <DETINULLA A/C>	19,444,444	1.20
MR IAN DAVIS + MRS SUSAN DAVIS	18,000,000	1.11
AMBER PLUS PTY LTD	16,753,121	1.03
MR GAVIN MICHAEL JAMES	16,000,000	0.98
MR BRODIE ROYDEN YULL	15,056,000	0.93
SIRROM SUPER PTY LTD <SIRROM SUPER FUND A/C>	14,384,828	0.88
TOP 20 SHAREHOLDERS	785,233,344	48.29
TOTAL ISSUED SHARES	1,626,183,277	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	639	321,875	0.02
1,001 - 5,000	689	1,800,361	0.11
5,001 – 10,000	220	1,742,654	0.11
10,001 – 100,000	417	14,495,274	0.89
100,001 and over	585	1,607,823,113	98.87
Totals	2,550	1,626,183,277	100 %

ADDITIONAL SHAREHOLDER INFORMATION

A. CORPORATE GOVERNANCE

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

B. SHAREHOLDING

1. Substantial Shareholders

Cashmere Dell Pty Ltd has registered a relevant interest of 8.08% (89,904,281 shares).
Abacus Enterprises Pty Ltd has registered a relevant interest of 6.74% (84,442,222 shares).
Mr Mavrodis Nestor has registered a relevant interest of 5.61% (91,420,000 shares).

2. Unquoted Securities

There are no unlisted Options present.

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 2,550 holders of fully paid ordinary shares. The Company has no partly paid shares on issue.

4. Marketable parcel

There were 2,195 Shareholders with less than a marketable parcel as at 23 March 2020.

C. OTHER DETAILS

1. Company Secretaries

Mr Adrien Wing
Ms Pauline Moffatt

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:

Advanced Share Registry
110 Stirling Highway
Nedlands WA 6009

Telephone: + (61) 08 9389 8033
Facsimile: + (61) 08 9262 3723

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.