



# Quarterly Report

Period ended June 30, 2014

Red Fork Energy Limited  
ACN 108 787 720

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## Contact

David Prentice  
Managing Director  
[david.prentice@redforkenergy.com.au](mailto:david.prentice@redforkenergy.com.au)

## Website

[www.redforkenergy.com.au](http://www.redforkenergy.com.au)

## Directors

Michael Fry (Chairman)  
David Prentice (Managing Director)  
Bill Warnock (Non Exec. Director)  
Larry Edwards (Non Exec. Director)  
David Colwell (Non Exec. Director)

## Executive Management

Chris Girouard (President & COO)  
Kevin Humphrey (CFO)  
Lee Francis (Exec. VP Operations)  
Suzie Foreman (Company Secretary)

## Listings

RFE.AX (Fully Paid Ordinary Shares)  
RDFEY.OTCQX (1 ADR = 10 FPO's)

## About Red Fork Energy

Red Fork Energy is an Australian domiciled publicly traded oil and gas producer and explorer, with assets and operations in Oklahoma.

The Company has positioned itself in one of the premier on-shore United States horizontal oil resource plays, with a large and prospective acreage position in the heart of the Mississippi Lime oil and liquids rich gas play.

## Key results and financials for the quarter ended June 30, 2014

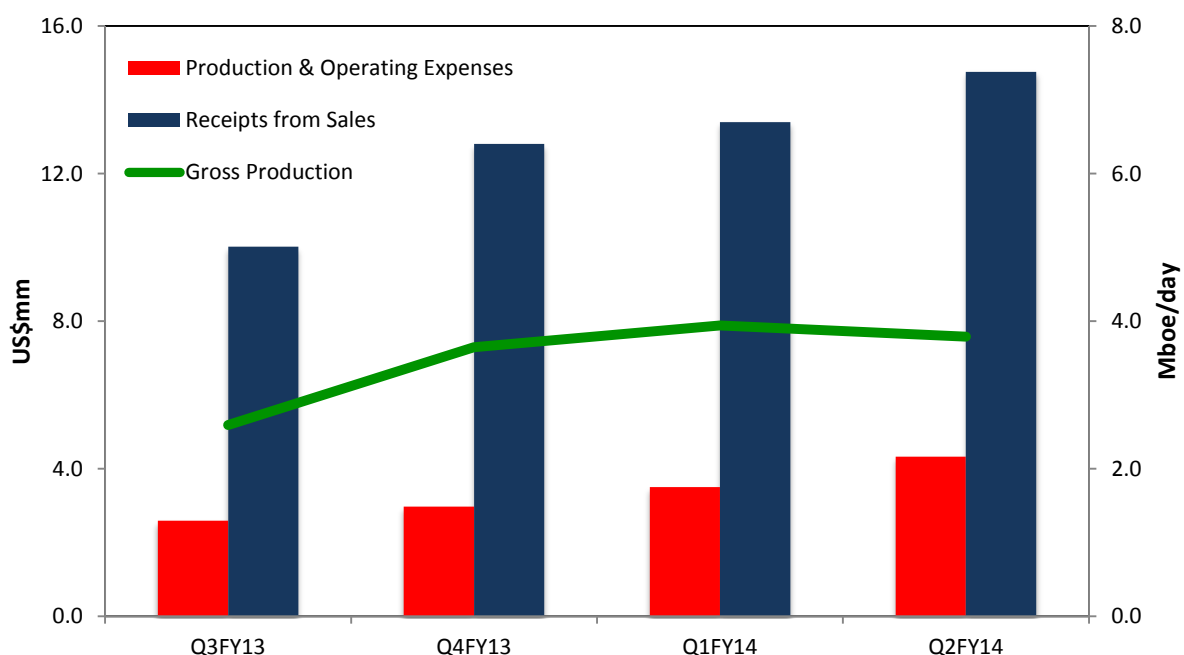
- ✓ **Sales:** Receipts from sales for the quarter increased to US\$14.8 million, up 10.5% on the previous quarter and exceeding the previous quarter estimate by 22.6%.
- ✓ **Gross production:** averaged 344.9mboe (~3,790 boe/day).
- ✓ **Net production:** averaged ~ 2,141boe/day for the quarter (net and post royalties).
- ✓ **Development expenditure:** during the quarter was limited to very minor capital expenditure associated with the final build out of pipeline infrastructure to service existing production and sustaining capital. The majority of the US\$13.2 million in development and exploration costs incurred during the quarter was directed to reducing payables.
- ✓ **Strategic Review Process:** A strategic review of Red Fork's asset base was commenced during the quarter to determine how it could be optimally monetized or proactively developed given the current debt and equity market constraints. The structured process has included the appointment of US advisors, a comprehensive marketing campaign and presentations and discussions with prequalified interested parties, which are currently ongoing. As previously indicated to the market, the Board believes it is in the best interests of shareholders to conduct the process on a confidential basis and does not anticipate being in a position to provide further information until the process is complete. The Board and its advisors are encouraged by the level of interest shown by parties as the process continues.
- ✓ **Farm-out:** Pursuant to a farm-out agreement announced during the quarter, Blue Quail has now drilled a vertical test well in Noble County. Blue Quail has set pipe on the well and will attempt a completion in the September quarter. Based on oil shows and log analysis, four zones appear to be oil productive.
- ✓ **Cash position:** Cash at the end of the quarter was ~US\$7.1 million. Estimated outflows for the September quarter are US\$3.2 million.

## Development

During the quarter, in line with the previously announced Strategic Review Process, the Company maintained its program of limiting capital expenditure to that required for maintaining and optimizing production. The Company successfully renegotiated its loan covenants with Guggenheim for the duration of the Strategic Review Process to allow the Company the opportunity to fully explore all options for maximizing the value of the current asset base.

## Production and Cash Flow

Gross oil production for the quarter was 197,524 barrels, with gross gas production of 884.4 Mmcf for the same period. Gross daily production for the quarter averaged 3,789 barrels of oil equivalent<sup>1</sup> (Boe). Production net and post royalties averaged approximately 2,141 Boe per day for the quarter.



Receipts from Sales<sup>ii</sup> for the quarter increased to US\$14.8 million, up 10.5% on the previous quarter and exceeding the previous quarter estimate by 22.6%. Expenditure on Development and Exploration during the quarter was limited to very minor capital expenditure associated with the final build out of pipeline infrastructure to service existing production and sustaining capital. The majority of the US\$13.2 million in development and exploration costs incurred during the quarter was directed to reducing payables.

## Cash and Estimated Outflows

Cash available at the end of the quarter totalled approximately US\$7.1 million. Estimated cash outflows for the September quarter are detailed in the attached Appendix 5B. These estimates are subject to change as required from time to time as a result of changes in operational circumstances and/or financing arrangements and as such these estimates are not guidance. During the period of the Strategic Review Process and up to the successful conclusion of a transaction, capital expenditure will be limited to that required for maintaining the asset base and optimizing production. Surplus cash flow generated during this period will be directed to reducing trade payables.

## Hedging

As at 30 June 2014, the Company has the following swaps in place.

### Oil

Barrels per month	Period	Price
15,000	July 2014 through February 2015	US\$92.43
5,000	March 2015 through February 2016	US\$90.26

### Gas

Mcf per month	Period	Price
25,000	July 2014 through April 2016	US\$4.50

-ENDS-

For Enquiries:

#### Investors

David Prentice

Managing Director

**Red Fork Energy Limited**

+61 8 9200 4470

## Forward Looking Statements

This announcement contains “forward-looking statements”. Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company’s plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

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<sup>i</sup> The equivalent barrels production rate (“Boe”) has been calculated on a simple 6:1 ratio (oil to gas ratios vary across the Mississippian play however Red Fork’s results to date indicate that they are typically in the range of 70% to 80% oil with the balance made up of liquids rich gas). Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 mscf:1 bbl is based on an energy equivalency conversion method. It should be noted that the value ratio based on the price of crude oil compared to the price of natural gas can and currently does vary significantly from the energy equivalency of 6 mscf:1 bbl.

<sup>ii</sup> Receipts from Sales are proceeds received during the quarter and are net to Red Fork’s revenue interest (“NRI”) i.e. net of royalties, which range from 12.5% to 20% and are typically 18.75%. Receipts from Sales of oil and gas (and associated natural gas liquids) are received on average approximately 45-days after delivery.

# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

RED FORK ENERGY LIMITED

ABN

15 108 787 720

Quarter ended ("current quarter")

30 June 2014

### Consolidated statement of cash flows

		Current quarter US\$'000	Year to date (6 months) US\$'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	14,760	28,118
1.2	Payments for (a) exploration & evaluation	(940)	(2,245)
	(b) development	(12,227)	(43,916)
	(c) production	(4,325)	(7,832)
	(d) administration	(2,406)	(4,908)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	16
1.5	Interest and other costs of finance paid	(2,697)	(5,374)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(7,828)</b>	<b>(36,141)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(77)	(1,767)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	10,154
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)		
<b>Net investing cash flows</b>		<b>(77)</b>	<b>8,387</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(7,905)</b>	<b>(27,754)</b>

+ See chapter 19 for defined terms.

**Appendix 5B****Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(7,905)	(27,754)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – cost of share issue	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(7,905)	(27,754)
1.20	Cash at beginning of quarter/year to date	14,992	34,790
1.21	Exchange rate adjustments to item 1.20	14	65
1.22	<b>Cash at end of quarter</b>	<b>7,101</b>	<b>7,101</b>

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	218
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Directors Fees and Salaries for Australian and US based directors.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	100,000	100,000
3.2 Credit standby arrangements	-	-

### **Estimated cash outflows for next quarter**

	US\$'000
4.1 Exploration and evaluation	-
4.2 Development	(7,400)
4.3 Production	8,412*
4.4 Administration	(1,492)
4.5 Finance costs	(2,745)
<b>Total (outflow)</b>	<b>(3,225)</b>

*\* Net cash inflow comprising estimated production cash inflows of \$10,871,357 and outflows of \$2,459,364.*

### **Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000	Previous quarter US\$'000
5.1 Cash on hand and at bank	4,653	8,894
5.2 Deposits at call	490	1,140
5.3 Bank overdraft	-	-
5.4 Other (Cash held in escrow account of lender)	1,958	4,958
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,101</b>	<b>14,992</b>

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+ See chapter 19 for defined terms.

## Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Pawnee, Payne and Noble Counties Sold or expired – 6,805	6,805	
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Pawnee, Payne and Noble Counties Acquired – 2,362 net acres		2,326

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference + securities</b> (description)		<i>Class</i>	
	1,000,000	-	B (Directors)	Nil
	2,000,000	-	C (Directors)	Nil
	1,530,000	-	A (Employee)	Nil
	2,890,000	-	B (Employee)	Nil
	3,040,000	-	C (Employee)	Nil
	9,546,062	-	2014 Employee LTI Rights	Nil
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through conversion to shares and cancellations			
	9,546,062	-	2014 Employee LTI Rights	Nil
	(120,000)	Cancelled	B (Employee)	Nil
	(120,000)	Cancelled	C (Employee)	Nil
7.3	<b>+Ordinary securities</b>	501,051,719		



**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

7.4	Changes during quarter (a) Increases through exercise of performance rights  (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (description and conversion factor)	501,000	-	Exercise price A\$1.20	Expiry date 30/11/14
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	1,600,000 708,333 708,333	- - -	Exercise price A\$0.65 A\$0.35 A\$0.45	Expiry date 30/06/14 30/06/14 30/06/14
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (totals only)				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~/does not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:



Date: 31 July 2014

(Company secretary)

Print name: Suzie Foreman

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.