



ASX Announcement August 21, 2014

Red Fork Energy Limited
ACN 108 787 720

Level 2, 79 Hay Street
Subiaco Western Australia 6008
PO Box 1424
West Perth WA 6872

Telephone +61 8 9200 4470
Facsimile +61 8 9200 4471

Contact

David Prentice
Managing Director
david.prentice@redforkenergy.com.au

Website

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 (Chief Financial Officer)
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 plays, with a large and prospective acreage position in the heart of the Mississippi Lime/Woodford oil and liquids rich gas play.

2014 Mid-Year Reserves Report

Red Fork Energy Limited (ASX: RFE, OTCQX: RDFEY, Red Fork or the Company) is pleased to provide a summary of its independent reserve estimates, effective as at June 30, 2014. The reserve estimates were evaluated by the Company's petroleum consultants in the United States, Lee Keeling & Associates, Inc.

Highlights:

- ✓ **Reserves upgraded:** Increases were recorded in all three major reserve categories in the six months to June 30, 2014. This was despite the significant scaling back of drilling and completion activity during the period as a result of the Company's strategic review and asset monetization program.
- ✓ **1P Reserves:** Group net Proved reserves increased by 25% in the six-months to June 30, 2014 to 23.3 mmboe.
- ✓ **2P Reserves:** Group net Proved plus Probable reserves increased by 41% in the six-months to June 30, 2014 to 34.6 mmboe.
- ✓ **3P Reserves:** Group net Proved plus Probable plus Possible reserves increased by 22% in the six-months to June 30, 2014 to 41.0 mmboe.
- ✓ **Total 3P Reserves plus Contingent Resources:** Group net 3P reserves plus contingent resources stood at 56.7 mmboe as at June 30, 2014, with an NPV10 value of US\$573 million.
- ✓ **NPV10 of 1P Reserves:** Group 1P NPV10 increased by US\$16 million in the six-months to June 30, 2014 to US\$293 million. The NPV10 of the Proved Developed component of the Group total net Proved reserves amounted to US\$153.4 million (or 52.3% of the Group 1P NPV10). The increased value of Group 1P reserves continues to comfortably exceed Red Fork's current market capitalization and net debt position.

All Three Group Reserve Categories Upgraded

Group net reserve estimates are summarized in table 1 below. Estimates for all three reserve categories increased in the six-month period ended June 30, 2014.

Group net 1P reserves increased by 25% to 23.3 mmboe in the six months to June 30, 2014, driving a 41% increase in Group 2P reserves to 34.6 mmboe and a 22% increase in Group 3P reserves to 41.0 mmboe. This represented an addition of 7.5 mmboe to Group 3P reserves in the six-months since Red Fork's full year reserves update.

The net present value of Group 1P reserves increased to US\$293 million in the six-months to June 30, 2014, with the NPV10 of the Proved Developed component of the Group 1P reserves amounting to US\$153.4 million (or 52.3% of the Group 1P NPV10).

Continued...

At June 30, 2014, Group net 3P reserves plus Contingent Resources stood at 56.8 mmboe with a NPV10 value of US\$573 million.

Table 1.

Group Estimated Net Reserves (post royalties) As at June 30, 2014	Oil (mmbbl)	Gas (bcf)	mmboe	NPV10 (US\$m)
Proved 1P	10.8	74.9	23.3	293
Proved plus Probable 2P	16.6	108.3	34.6	385
Proved plus Probable plus Possible 3P	19.9	126.2	41.0	446
Contingent Resources	8.0	46.6	15.8	127
Total All (3P plus Contingent Resources)	27.9	172.8	56.8	573

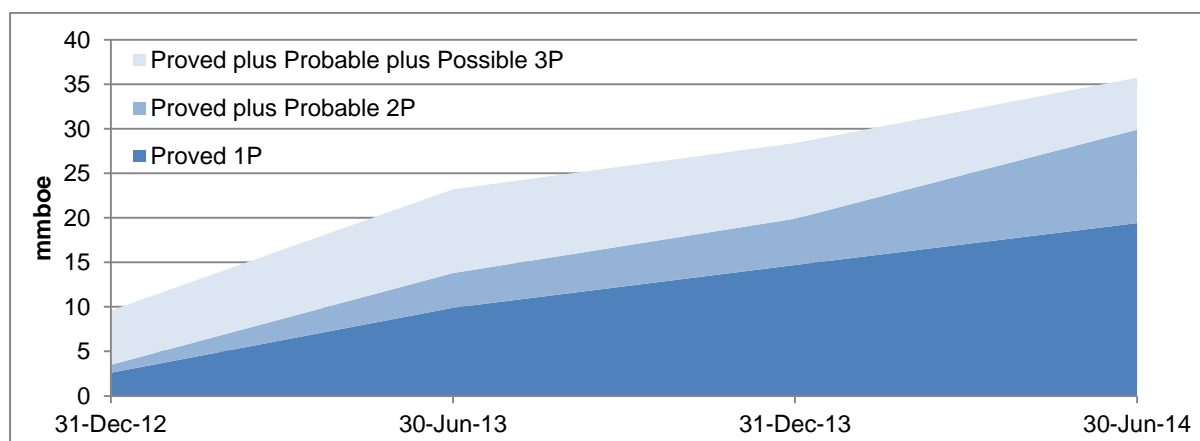
Big River Project

Big River net reserve estimates are summarized in table 2 below. Notwithstanding the scaling back of drilling and completion activity during the period of the strategic review, the Big River project remained the focus of the Company during the six-months to June 30, 2014. The more significant increases in volumes were in the Proved and Probable reserve categories with Big River net 1P reserves increasing to 19.4 mmboe (up 32%) and Big River net 2P reserves up to 29.9 mmboe (up 50%) as volumes were upgraded from the Possible and Contingent Resource categories. Red Fork has more than tripled reserves at the Big River Project since 2012, as illustrated in chart 1 below.

Table 2.

Big River Estimated Net Reserves (post royalties) As at June 30, 2014	Oil (mmbbl)	Gas (bcf)	mmboe	NPV10 (US\$m)
Proved 1P	9.7	58.0	19.4	248
Proved plus Probable 2P	15.0	89.1	29.9	325
Proved plus Probable plus Possible 3P	18.0	106.6	35.7	374
Contingent Resources	8.0	46.6	15.8	127
Total All (3P plus Contingent Resources)	26.0	153.2	51.5	501

Chart 1: Big River Net Reserves (post royalties)



Reserve Methodology and Assumptions

The economic model used to establish the net present value for these reserves uses the SEC pricing method, based on a constant price of US\$101.23 per barrel for oil and a constant price of US\$4.25 per mcf for gas. Differentials were used to adjust the gas price for the liquids yield contained in high BTU gas. Big River drilling and completion costs per horizontal Mississippian well were estimated at US\$3.17 million, with costs per standard length (640-acre spaced) horizontal Woodford well estimated at US\$2.9 million. Drilling and completion costs per extended length (1280-acre spaced) horizontal Woodford wells were estimated at US\$4.2 million.

Lease operating expense assumptions for horizontal Big River wells in this reserve report were updated and in some instances increased from the prior report to reflect changes in production methods and to more accurately reflect experience in the field as production has matured. In addition, the regime for severance tax on new horizontal wells drilled (after June 30, 2015) in Oklahoma increased and is now calculated at the rate of 2% for the first 36-months of production (up from 1% for the first 48-months) and then reverts to the statutory rate of 7% thereafter.

Reserve Certification

The information contained in this report, which relates to oil and gas reserve estimates is based on, and fairly represents the independent certification of the Company's oil and gas reserve information and supporting documentation (Reserve Report) prepared by Phil Grice who is an employee of Lee Keeling & Associates, Inc. (LKA). Phil Grice is a Qualified Petroleum Reserve and Resource Evaluator as defined by the ASX Listing Rules. LKA are petroleum consultants based in the United States with offices in Tulsa and Houston. LKA provide specific engineering services to the oil and gas industry and consult on all aspects of petroleum geology and engineering for both domestic and international projects and companies. LKA have consented to the release of this reserves information in the form and context to which the estimated petroleum reserves and contingent resources and the supporting information are presented.

-ENDS-

For Enquiries:

Investors

David Prentice

Managing Director

Red Fork Energy Limited

+61 8 9200 4470

Steve Suleski

FTI Consulting

Tel: +61 8 9485 8888

Notes:

1. Million (“mm”) barrels of liquids and billion (b) cubic feet of gas.
2. The equivalent barrels (“boe”) have been calculated on a simple 6:1 ratio. 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.
3. NPV10 is defined as the future Net Revenues of the Company’s Proved, Probable and Possible reserves, discounted at 10% per annum. The estimated future net revenue values do not necessarily represent the fair market value of the Company’s reserves.
4. Net Revenue is calculated net of royalties, production taxes, lease operating expenses and future capital expenditures, before Federal Income Taxes.

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.