



Quarterly Report

Period ended September 30, 2014

Red Fork Energy Limited
ACN 108 787 720

Ground Floor, 16 Ord Street
West Perth Western Australia 6005
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 (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 September 30, 2014.

- ✓ **Sales:** Receipts from sales for the quarter were US\$9.78 million. This was slightly below the Jun'Q2014 estimate as a result of lower production volumes and softer commodity prices. Despite the suspension of development activities, sales receipts are still broadly in line with Sep'Q2013.
- ✓ **Gross production:** Production totaled 300.4mboe (~3,260boe/day) and was impacted by storms and associated lightning activity during July and August that disrupted rural electric power grids in the Big River project area.
- ✓ **Net production:** averaged ~ 1,795 boe/day for the quarter (net and post royalties).
- ✓ **Strategic Review Process:** The Company announced in October the selection of a preferred refinancing partner in accordance with the recommendations of its corporate advisors. Red Fork is now working with the preferred partner toward a successful closing of a new debt facility that would see the Company's existing senior secured loan repaid and additional working capital secured. Pre-closing diligence, including title, environmental and engineering is advancing.
- ✓ **Development expenditure:** Development activities remain suspended pending the outcome of the current review process. US\$4.74 million was directed to reducing payables and sustaining capital expenditure. Red Fork is working closely with the preferred re-finance partner on an approved plan of development that, in the event the new facility is successfully closed, would see development activity at the Big River project recommence. Development would be directed toward high grade locations that are located within the scope and scale of the Company's existing infrastructure.
- ✓ **Cash position:** Cash at the end of the quarter was ~US\$6.62 million^a. Net cash inflows are expected to total net cash outflows for the December quarter.

Continues....

Hedging

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

Oil

Barrels per month	Period	Price
15,000	October 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	October 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.

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. 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.

a. As set out in the attached 5B cash at the end of the quarter included US\$3.09 million in cash held in the escrow account of the lender and certificates of deposit.

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 September 2014

Consolidated statement of cash flows

		Current quarter US\$'000	Year to date (9 months) US\$'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	9,770	36,741
1.2	Payments for (a) exploration & evaluation	(369)	(2,614)
	(b) development	(4,737)	(47,506)
	(c) production	(2,347)	(10,179)
	(d) administration	(1,774)	(6,682)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	19
1.5	Interest and other costs of finance paid	(2,649)	(8,023)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(2,103)	(38,244)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(405)	(2,172)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	2,048	12,202
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		1,643	10,030
1.13	Total operating and investing cash flows (carried forward)	(460)	(28,214)

+ 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)	(460)	(28,214)
	Cash flows related to financing activities		
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(460)	(28,214)
1.20	Cash at beginning of quarter/year to date	7,101	34,790
1.21	Exchange rate adjustments to item 1.20	(20)	45
1.22	Cash at end of quarter	6,621	6,621

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	(2,231)
4.3 Production	6,595*
4.4 Administration	(1,424)
4.5 Finance costs	(2,940)
Total inflow / (outflow)	-

** Net cash inflow comprising estimated production cash inflows of \$8,463 and outflows of \$1,868.*

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	3,393	4,148
5.2 Deposits at call	141	490
5.3 Bank overdraft	-	-
5.4 Other – Restricted cash (Cash held in escrow account of lender and certificates of deposit)	3,087	2,463
Total: cash at end of quarter (item 1.22)	6,621	7,101

+ 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 – 4,226	4,228	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Pawnee, Payne and Noble Counties Acquired – 718 net acres	-	718

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	Preference + securities (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			
7.3	+Ordinary securities	501,051,719	501,051,719	

+ See chapter 19 for defined terms.

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	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (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				
7.11	Debentures (totals only)				
7.12	Unsecured notes (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 October 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.

== == == == ==

+ See chapter 19 for defined terms.