



Quarterly Report

Period ended March 31, 2014

Red Fork Energy Limited
ACN 108 787 720

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Website

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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.

Highlights

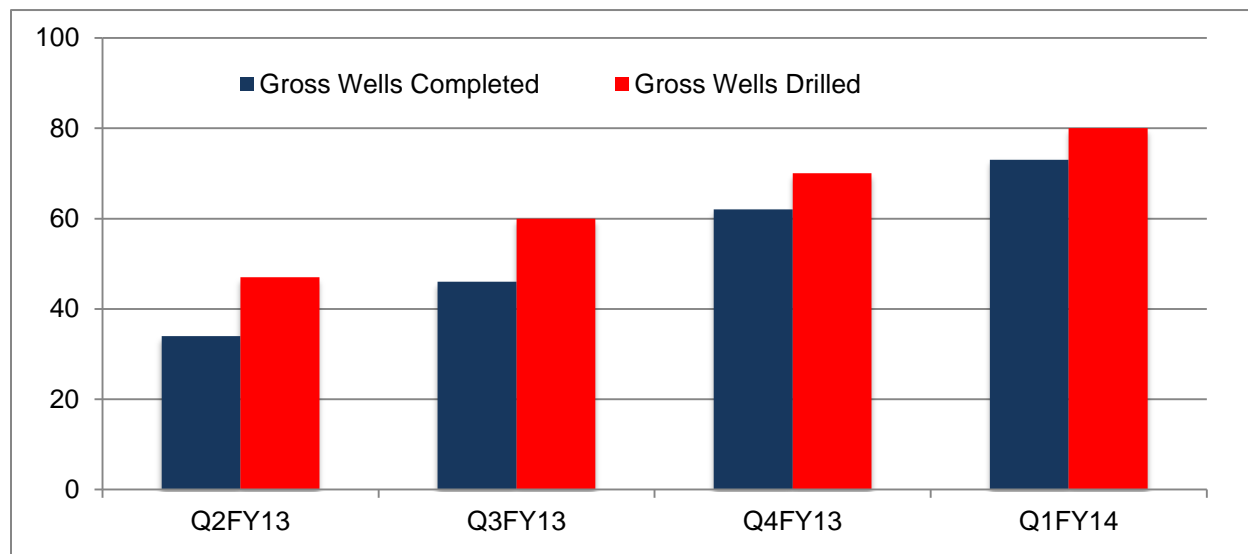
Red Fork Energy Limited (ASX:RFE, OTCQX:RDFEY, Red Fork or the Company) is pleased to present its report for the quarter ended March 31, 2014. The Company recorded another excellent quarter with the following highlights.

- ✓ **Sales:** Receipts from sales for the quarter increased to US\$13.4 million, up 4.7% on the previous quarter, and exceeded the previous quarter's estimate by 3.9%.
- ✓ **Gross production:** Increased to 354.6 mboe for the quarter, up 6% on the previous quarter.
- ✓ **Net production:** Averaged approximately 2,286 Boe/day for the quarter (net and post royalties), up 6% on the previous quarter.
- ✓ **Development expenditure:** Expenditure on development, infrastructure and exploration during the quarter was 17% lower than the estimate provided in the previous quarter driven primarily by the reduction in drilling and completion activity.
- ✓ **Drilling activity:** At the end of March the Company had 57 gross operated wells drilled (with two of these wells awaiting stimulation).
- ✓ **Sale of undeveloped acreage:** Successful closing of the sale of ~7,400 select undeveloped acres for a cash consideration ~US\$11 million.
- ✓ **2014 Forward Development Program:** Post the end of the March quarter the Company finalized the review of the 2014 Forward Development Program for the Big River Project and announced key elements of a new plan to reduce capital expenditure, preserve the asset base and unlock value.
- ✓ **Cash position:** Cash at the end of the quarter was ~US\$15 million, refer Appendix 5B for the March quarter. Estimated outflows for the June quarter are US\$4.2 million reflecting the temporary reduction in activity outlined in the new plan.

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Operations

During the quarter Red Fork continued to advance its Mississippian/Woodford operations in Oklahoma. The following chart details the cumulative gross horizontal wells drilled and completed as at the end of the March quarter.



Red Fork operated two rigs during the quarter, drilling horizontal wells across the Big River Mississippian/Woodford Development Areas. The Company now has 80 gross wells (57 gross operated wells) at various stages from drilling to producing. The following table details the status of wells (total gross and gross operated) across the Development Areas as at the end of March 2014.

Status	Development Area										Gross Wells	
	1	2	3	4	5	6	7	8	9	10	Total	Operated
Producing/Testing	6	23	8	14		9	5	7	1		73	55
Stimulating											0	0
Awaiting Stimulation	1	1		4						1	7	2
Drilling											0	0
Total	7	24	7	18		9	5	7	1	1	80	57

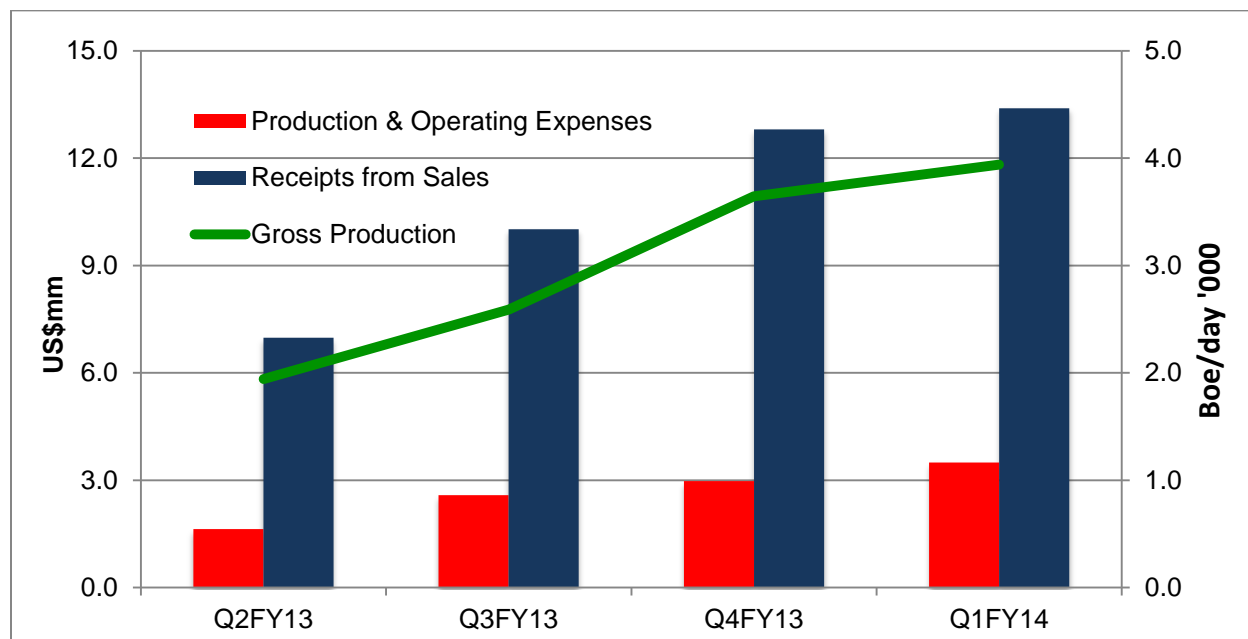
Operations continued in the March quarter with four operated wells drilled and seven operated wells stimulated and completed for production. Non-operated activity continued to be strong during the quarter with ten non-operated wells drilled and eleven non-operated wells completed.

Sale of Undeveloped Acreage

During the quarter the Company successfully closed a transaction to sell some selected non-core undeveloped acreage from its larger Mississippian/Woodford holdings in the Big River Project. The purchaser acquired ~7,400 acres and associated seismic rights from Red Fork's wholly owned subsidiary Red Fork (USA) Investments, Inc. for a cash consideration of US\$11 million (subject to any post closing adjustments). The sale represents undeveloped acreage (outside of the HBP schedule) and will not impact the Company's December 31, 2013 Proved (1P) Reserves of 18.6mmboe. Proceeds will be used to strengthen Red Fork's balance sheet.

Production and Cash Flow

Receipts from Salesⁱ for the quarter totaled US\$13.4 million a 4.7% increase on the previous quarter. Gross oil production for the quarter was 217,953 barrels, with gross gas production of 820.3 Mmcf for the same period. Gross volumes were up approximately 6% on the previous quarter with gross daily production for the quarter averaging 3,941 barrels of oil equivalentⁱⁱ (Boe). Production net and post royalties averaged approximately 2,286 Boe per day for the quarter.



Receipts from Sales totaled ~US\$13.4 million up 4.7% on the previous quarter and exceeded the previous quarter's estimate by 3.9%. Expenditure on Development and Exploration during the quarter was ~US\$33 million down 8% on the previous quarter and 17% lower than the previous quarters estimate. Of the ~US\$33 million in Development and Exploration costs paid in the quarter, ~US\$29 million related to reduction in payables, with the balance of ~US\$4.0 million paid for other operated and non-operated activities incurred during the quarter.

Corporate

2014 Forward Development Program

Post the end of the March quarter, the Company announced that it had finalized the review of the 2014 Forward Development Program for the Big River Project.

Consistent with the Company's long term growth strategy, the development plan in 2013 focused on production growth and advancing the Held By Production ("HBP") strategy. Thirty-eight wells were drilled and ~US\$40 million was deployed on supporting infrastructure development, with the result that approximately 50% of the operated acreage was held by production by year-end. Year on year, the program delivered over 350% growth in sales, 250% growth in production, and increased Group 3P reserves value (NPV10) by US\$274 million to US\$491 million.

This significant growth in reserves, production, sales and the progress on the HBP strategy has not to date translated into equity value for shareholders. With this in mind the Company commenced a review of the 2014 Forward Development Program.

The Board considered the capital demands of Red Fork's large acreage position, and the funding constraints posed by the current market capitalization, debt levels, and Red Fork's relatively high cost of capital. As a consequence it believes the additional capital required to reach self-sustaining cash flow cannot reasonably be sourced from further conventional debt or equity. It has approached the 2014 program with the plan to reduce expenditure levels while protecting the value of the assets.

Key elements of the plan will include:

1. **Realignment of capital expenditure:** Development expenditure will be strictly matched to current capital availability, principally operating cash flow and potentially further non-core asset sales.
2. **Asset preservation:** Development expenditure will incorporate the HBP strategy when funding is available and where appropriate to preserve the reserve base as far as possible. Lease renewals and extensions are underway where this is not the case. The Board does not anticipate any further material expenditure on infrastructure to support current production or short-term development.
3. **Unlocking asset value:** In light of these circumstances, the Board has commenced a wide ranging strategic review of Red Fork's asset base to determine how it can best be monetized or proactively developed. This will consider, among other things, possible transactions at the asset level, partnership and joint venture level, and at the overall corporate level.

The Board intends to engage US and Australian advisors to assist in this strategic review process. The process is being undertaken in full collaboration with the Company's bankers.

Cash and Estimated Outflows

Total cash at the end of the quarter was approximately US\$15 million, and details of the reconciliation of cash and estimated cash outflows for the June quarter are detailed in the attached Appendix 5B (sections 5 and 4 respectively). 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. Total outflows for the June quarter are estimated to be ~US\$4.2 million, reflecting the temporary reduction activity while the strategic review outlined above is underway. Receipts from sales for the March quarter are estimated to be ~US\$12 million.

Hedging

As at 31 March 2014, the Company has the following swaps in place.

Oil

Barrels per month	Period	Price
20,000	January 2014 through February 2014	US\$98.60
35,000	March 2014	US\$95.60
15,000	April 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	March 2014 through April 2016	US\$4.50

-ENDS-

For Enquiries:

Investors

David Prentice

Managing Director

Red Fork Energy Limited

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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.

ⁱ 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.

ⁱⁱ 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.

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")

31 March 2014

Consolidated statement of cash flows

	Current quarter US\$'000	Year to date (3 months) US\$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	13,358	13,358
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,305) (31,689) (3,507) (2,502)	(1,305) (31,689) (3,507) (2,502)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	9	9
1.5 Interest and other costs of finance paid	(2,677)	(2,677)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(28,313)	(28,313)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets and pipeline	- - (1,690)	- - (1,690)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other non-core assets	- - 10,154	- - 10,154
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	8,464	8,464
1.13 Total operating and investing cash flows (carried forward)	(19,849)	(19,849)

+ 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)	(19,849)	(19,849)
	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	(19,849)	(19,849)
1.20	Cash at beginning of quarter/year to date	34,790	34,790
1.21	Exchange rate adjustments to item 1.20	51	51
1.22	Cash at end of quarter	14,992	14,992

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	213
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	(200)
4.2 Development	(9,613)
4.3 Production	10,228*
4.4 Administration	(1,971)
4.5 Finance costs	(2,683)
Total	(4,239)

* Net cash inflow comprising estimated production cash inflows of \$12,037,000 and outflows of \$1,809,000.

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	8,894	33,199
5.2 Deposits at call	1,140	1,591
5.3 Bank overdraft	-	-
5.4 Other (Cash held in escrow account of lender)	4,958	-
Total: cash at end of quarter (item 1.22)	14,992	34,790

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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 - 8,445 net acres	8,445	-
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Pawnee, Payne and Noble Counties Acquired - 1,523 net acres	-	1,523

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 (performance rights)		<i>Class</i> B (Directors) C (Directors) A (Employee) B (Employee) C (Employee)	Nil Nil Nil Nil Nil
	1,000,000	-		
	2,000,000	-		
	1,530,000	-		
	3,010,000	-		
	3,160,000	-		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through conversion to shares and cancellations	Cancelled Cancelled	B (Employee) C (Employee)	Nil Nil
	(580,000)			
	(580,000)			
7.3	+Ordinary securities	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 <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	1,600,000 708,333 708,333 501,000	- - - -	<i>Exercise price</i> A\$0.65 A\$0.35 A\$0.45 A\$1.20	<i>Expiry date</i> 30/06/14 30/06/14 30/06/14 30/11/14
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ 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: 30 April 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.