

Quarterly Report

Period ended December 31, 2010



Red Fork Energy Limited
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Directors

Michael Fry (Chairman)
David Prentice (Managing Director)
Perry Gilstrap (Director Operations)
Bruce Miller (Director Resources)
Steve Miller (Non-Executive Director)

ASX Code

RFE (Fully Paid Ordinary Shares)

Summary

- ✓ Company enters exciting new horizontal Mississippian oil project in North West Oklahoma ("Big River project")
- ✓ East Oklahoma project reserve growth and development plan confirmed with certifying engineers
- ✓ Completion and testing continued at East Oklahoma
- ✓ Development and testing continued at West Tulsa
- ✓ Gross revenue for the quarter was A\$0.95 million with receipts from sales of A\$0.69 million
- ✓ Production for the quarter was 258MMcfe (2.87Mcfe/day)¹

Operations

Big River Project (RFE 100% owned and operated)

During the quarter the Company announced the emergence of an exciting new horizontal Mississippian carbonate oil and liquids rich gas play in North West Oklahoma.

The Company announced that it already secured a strategic acreage position of approximately 12,000 acres (100% owned and operated, including proven vertical Mississippi oil production) in this very large play that currently extends across fourteen counties in North West Oklahoma.

Red Fork was also actively leasing in the play during the quarter, high grading sections within our preferred areas using data from more than one thousand previously drilled vertical wells as reservoir control. The Company is targeting a total acreage position of between 35,000 and 50,000 acres (50 to 75 sections) in the play.

This is a very exciting new play with several large NYSE listed multi-billion dollar market capitalization company's (including Chesapeake Energy, SandRidge Energy and range Resources) active in the play leasing, drilling, completing and testing wells. There have already been in excess of 300 horizontal wells successfully drilled in the play at various stages from drilled, drilled waiting on completion to drilled, completed and production tested.

The economics of the play are compelling with a relatively shallow target zone (typically less than 6,000 feet total vertical depth) and attractive drilling and completion costs for a single horizontal well of US\$2.5 million. The economic model for these wells (based on public data from wells that have been producing in the play for up to two years) indicates a mid-case of 420Mboe per well (delivering a PV10 value of US\$8.6 million) and a high case of 580Mboe per well (delivering a PV10 value of US\$14 million).

These economics and reserves per well compare very favorably to wells currently being drilled in the "oil window" of the highly regarded Eagle Ford Shale play.

Red Fork is planning to drill, complete and test up to five horizontal wells in the play during 2011 and the Company is currently scheduling to run seismic in initial target sections in the first quarter of 2011 with the first well to be spudded in the first half of 2011.

East Oklahoma Project (RFE 100% owned and operated)

The current gas price environment reinforces the importance of our strategy to grow the reserves in our undeveloped acreage at East Oklahoma (employing the lowest possible amount of working capital) while we continue to build production and drive drilling, completion and production costs lower.

During the quarter the Company outlined its plan to grow reserves, build production, refine drilling and completion techniques and drive costs lower and finally to actively manage the acreage position to maintain dominance in the discovery.

The Company defined and agreed a path with its independent certifying engineers to continue to grow the reserves over the coming twelve months. Work will also continue in the coming twelve months to refine and improve our drilling and completion methods to drive costs lower and increase the Estimated Ultimate Recovery (EUR) or reserves per well. This will result in production growth and will provide cash flow to fund reserve growth and establish a stronger production track record.

A plan to actively manage our acreage position in the East Oklahoma discovery area was also outlined during the quarter through a combination of drilling to hold acreage by production, drilling to hold acreage via a shut-in rental program as well as spacing and pooling in accordance with the Oklahoma Corporation Commission rules. These activities and the very strong position our mid-stream subsidiary (EastOK Pipeline LLC) has established we enable us to maintain and build on our dominance in the discovery area.

Development also continued at East Oklahoma, with the *Couch #1-33* well successfully fracture stimulated and tested. Testing was intermittent (due to high fluid levels) delivering flows of up to 200,000 cubic feet of gas per day measured during testing. The well is currently shut-in awaiting installation of a submersible pump and connection to water disposal facilities.

The *Posey #1-17* well was also successfully fracture stimulated and tested intermittently, with good shows of gas and high fluid levels exhibited during testing. The well is now being converted to test via a submersible pump allowing for greater fluid movement.

At East Oklahoma South, the Company continued with development with the successful spacing of an additional four 640 acre units in close proximity to the production facilities at Wagoner "A". The Company is now set to drill and complete these four wells which are direct off-sets to some of the more productive wells in this area. Successful drilling and completion of these well should deliver a significant boost to gas production once these well have been tied-in to existing processing and sales facilities.

West Tulsa Project (RFE 100% owned and operated)

During the quarter, the Company continued development of its Pawnee conventional oil and gas project at West Tulsa.

The *Moebius #3-28* well was production tested during the quarter, initially with the use of a large conventional pumping unit. This pumping unit was unable to move enough fluid to properly test the productive zone, although some oil production was noted during these initial tests. The well was subsequently prepared for testing using a down hole submersible pump (capable of moving larger volumes of fluid). This required the installation of electrical services to the location. This work was completed during the quarter to enable ongoing production testing.

Red Fork now has ten wells at West Tulsa (eight in production) with significant permanent oil and gas facilities established.

Well Name	Description	Type	Status
Fuss #1-34	Drilled, logged, cased & tested	Oil well (associated gas)	Producing
Fuss #1-33	Drilled, logged, cased & tested	Gas well	Producing
Fuss #2-33	Drilled, logged & cased	Water disposal	Operational
Rosier #1-27	Drilled, logged, cased & tested	Oil well (associated gas)	Producing
Rosier #2-27	Drilled, logged, cased & tested	Oil well (associated gas)	Producing
Fuss #3-33	Drilled, logged, cased & tested	Oil well (associated gas)	Producing
Moebius #1-28	Drilled, logged & cased	Primary target oil	Producing
Fuss #2-34	Drilled, logged & cased	Oil well (associated gas)	Producing
Moebius #2-28	Drilled, logged & cased	Water disposal	Operational
Moebius #3-28	Drilled, Logged & cased	Primary target oil	Production testing

Red Fork expects to continue with the development of its successful West Tulsa project. Ongoing development will be funded from existing working capital and cash flow.

Production and Cash Flow

Red Fork continued selling oil and gas during the December quarter.

Gross revenue and receipts from sales were down slightly on the previous quarter as a result of lower spot prices for natural gas and continued strength in the Australian dollar.

Gross revenue from sales was A\$949,053 while net income (receipts from sales) was A\$691,000.

Gas production for the quarter was 129.4 Mmcf, with oil production of 6,237 barrels for the same period.

Corporate

During the quarter the Company secured a short term funding facility of A\$5 million to enable it to continue to aggressively pursue the development of the Big River Project while longer term funding arrangements are put in place. Under the terms of this facility, funds advanced will be converted into fully paid ordinary shares of the Company on the earlier of six months from the date of issue; and the date of issue of any further fully paid ordinary shares by the Company. The conversion price will be the lesser of \$0.35; and 85% of the issue price of further fully paid ordinary shares by the Company.

Yours faithfully,



David Prentice
Managing Director

About Red Fork Energy Limited

Red Fork Energy Limited is an Oklahoma based Australian stock exchange listed company developing oil and gas assets in the United States. The Company currently owns and operates four projects, Big River, East Oklahoma, West Tulsa and Osage. These assets provide proven producing oil and gas fields as well as highly prospective exploration acreage for future growth. Red Fork is well advanced in achieving its goal of becoming an independent exploration and production company through the commercialization of the coal bed methane, shale gas and conventional oil and gas resources located within its landholdings.

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.

Notes

1. Mmcfe is calculated on a revenue equivalent basis using NYMEX spot price for oil and gas as at 30/01/2011.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

RED FORK ENERGY LIMITED

ABN

15 108 787 720

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	691	1,555
1.2	Payments for (a) exploration, evaluation and leasing	(1,321)	(1,883)
	(b) project development	(256)	(1,276)
	(c) production	(383)	(636)
	(d) administration and overheads	(1,042)	(2,087)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	18	72
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
Net Operating Cash Flows		(2,293)	(4,255)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets and inventory	(798)	(1,438)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Payments for acquisitions	-	-
Net investing cash flows		(798)	(1,438)
1.13	Total operating and investing cash flows (carried forward)	(3,091)	(5,693)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,091)	(5,693)
	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 - funds from converting notes not yet issued	2,200	2,200
	Net financing cash flows	2,200	2,200
	Net increase (decrease) in cash held	(891)	(3,493)
1.20	Cash at beginning of quarter/year to date	4,905	7,802
1.21	Exchange rate adjustments to item 1.20	24	(271)
1.22	Cash at end of quarter	4,038	4,038

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	331
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

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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 \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	400
4.3 Production	200
4.2 Administration	900
Total	2,000

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 \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,375	1,956
5.2 Deposits at call	463	2,946
5.3 Bank overdraft	-	-
5.4 Other - converting notes subscription	2,200	-
Total: cash at end of quarter (item 1.22)	4,038	4,905

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	139,535,000	139,535,000		
7.4 Changes during quarter (a) Increases through issues (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>	295,500 7,165,000 1,800,000 1,800,000 1,800,000 1,600,000 708,333 708,333 1,800,000 2,400,000 1,587,000	- - - - - - - - - - -	<i>Exercise price</i> \$0.60 \$0.30 \$0.40 \$0.50 \$0.65 \$0.65 \$0.35 \$0.45 \$0.80 \$1.00 \$1.20	<i>Expiry date</i> 31/07/12 30/04/11 30/04/12 30/04/13 30/04/14 30/06/14 30/06/14 30/06/14 30/04/15 30/04/16 30/11/14
7.8 Issued during quarter	600,000	-	\$1.00	30/04/16
7.9 Exercised during quarter				
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)		
7.12	Unsecured notes (totals only)		

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 \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 January 2011
(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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** [ASX](#) will accept, for example, the use of International Accounting 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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