2013 ANNUAL REPORT

RED FORK ENERGY ANNUAL REPORT 2013

Contents


TOTAL
GALLONS
CENTS PER GALLON
ALL TAXES INCLUDED
All gas prices may vary from pump to pump
REGULAR
TULSA
TEA

Chairman's Letter

Dear Shareholder,

It is my pleasure to present the Red Fork Energy Limited Annual Report for the year ended 30 June 2013.

The year under review has been a transformational period for our Company as we increased focus on development and production after a successful period of asset acquisition and positioning. Red Fork is now well positioned alongside other major US based energy companies seeking to unlock more of the country's land based oil and gas reserves. This is during an exciting time as the US strives for the longer term goal of energy independence.

Increased well count driving growth in production, revenue and reserve base

Our efforts have centred around unlocking the potential of the oil and liquids rich Mississippian lime formation at our Big River Project located east of the Nemaha Ridge in Northern Oklahoma. During the year we delivered significant growth in production, revenue and reserves. This was achieved by a considerable increase in the number of new wells drilled, completed and tied into production. We participated in 47 gross wells (36 gross operated wells) at varying stages from drilling to producing compared to 9 gross wells at the corresponding time last year.

We will continue to aggressively pursue our development activities in the Mississippian Lime exploiting ongoing advances in horizontal drilling and completion techniques and other operating efficiencies to enhance project economics and progress our objective of holding our extensive acreage position by production in the foreseeable future.

Strengthened operational and management team

To facilitate the challenges of executing an accelerated development program we have been fortunate in securing the services of several highly experienced industry veterans. The Tulsa based senior management team supporting Chief Executive Officer, Mr David Prentice, has been significantly enhanced by the appointment of Mr Chris Girouard as President and Chief Operating Officer and Mr Lee Francis as Executive Vice President, Operations with ongoing support from our Chief Financial Officer Mr Kevin Humphrey.

These, along with other personnel appointments have enabled us to effectively expand our planning, scheduling and operating activities to accommodate the demands of continuously operating three drilling rigs plus an occasional fourth rig for drilling produced water disposal wells. Tangible benefits include a reduction in our spud to sales timing cycle resulting in an increased well count, accelerated timing to hold acreage by production, increased production and escalating reserve base. These strategic improvements have come from the growth in size and capabilities of our management and operations teams.

Shale Gas

The Company continues to produce, gather and process gas from the East Oklahoma shale gas project and maintains production assets in West Tulsa and Osage. The Wagoner facilities also gather and process gas for a third party and both the production and infrastructure assets may be ramped up in the future should natural gas prices rally.

Capital management

The introduction of a reserve based revolving credit facility has enabled the continued expansion of our development activities in a timely manner. This facility supports our working capital requirements for ongoing drilling activities and the substantial infrastructure build required for produced water gathering and disposal systems, gas gathering to sales and oil storage facilities.

The future

Our forward development program promises to deliver material production and reserve growth as we continue to focus on well design and completion optimization and also explore the additional potential of the multiple horizons in the play with particular emphasis on the increasing horizontal Woodford activity noted in the area.

Looking forward we remain focussed on our endeavour to hold our existing acreage position by production ensuring the right to operate the acreage beyond the initial lease term and ultimately undertake a full field development. This overriding strategy will provide us with optionality with regards to our future land holdings in the play. It will also allow us to undertake cost effective infill drilling where geology can select preferential drilling locations and tie new production into existing infrastructure further enhancing project economics. Similarly we will continue to participate in non-operated wells proposed by other respected operators within the Big River Mississippian lime project area.

Corporate Governance

In line with good corporate governance principles there have been changes to the Board of Directors since my last report to shareholders. I extend a warm welcome to the independent non-executive directors who have joined the Board. They are Mr Bill Warnock who also assumes the role of Chairman of the Remuneration and Nomination Committee and Mr Larry Edwards who also assumes the role of Chairman of the Audit and Risk Committee. These experienced Tulsa based businessmen bring extensive knowledge and a diverse range of skills to the Board.

I take this opportunity to thank my fellow directors for their guidance and contribution throughout the year and also, our Tulsa based senior management and staff for their hard work, diligence and team effort to transform our Company into a vibrant and expanding oil and gas production enterprise.

Similarly I extend my appreciation to our loyal shareholders for their patience and ongoing support as we continue to pursue an exciting and prosperous future for the Company.

Michael Fry
Chairman

30 September 2013

Operations Review

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

STRATEGY OVERVIEW

Red Fork is an independent oil and gas exploration and production company focused in the mid-continent of the United States. The Company has positioned itself in one of the premier on-shore United States horizontal oil resource plays, with a large acreage position in the heart of the exciting Mississippi Lime oil and liquids rich gas play ("the Big River Project").

Red Fork has embarked on a three-phase growth strategy to deliver value to shareholders:

1. **Grow assets** – identify and acquire a strategically significant acreage position in the attractive Mississippi Lime Play.

2. **Grow capabilities** – build technical, management and financial capabilities to secure the asset base through a hold by production drilling program.

3. **Grow production** – improve operational productivity and deliver production growth.

STRATEGY PROGRESS

The last three years have seen dramatic positive change in the scale and substance of the Company in terms of its people, oil and gas properties and operations.

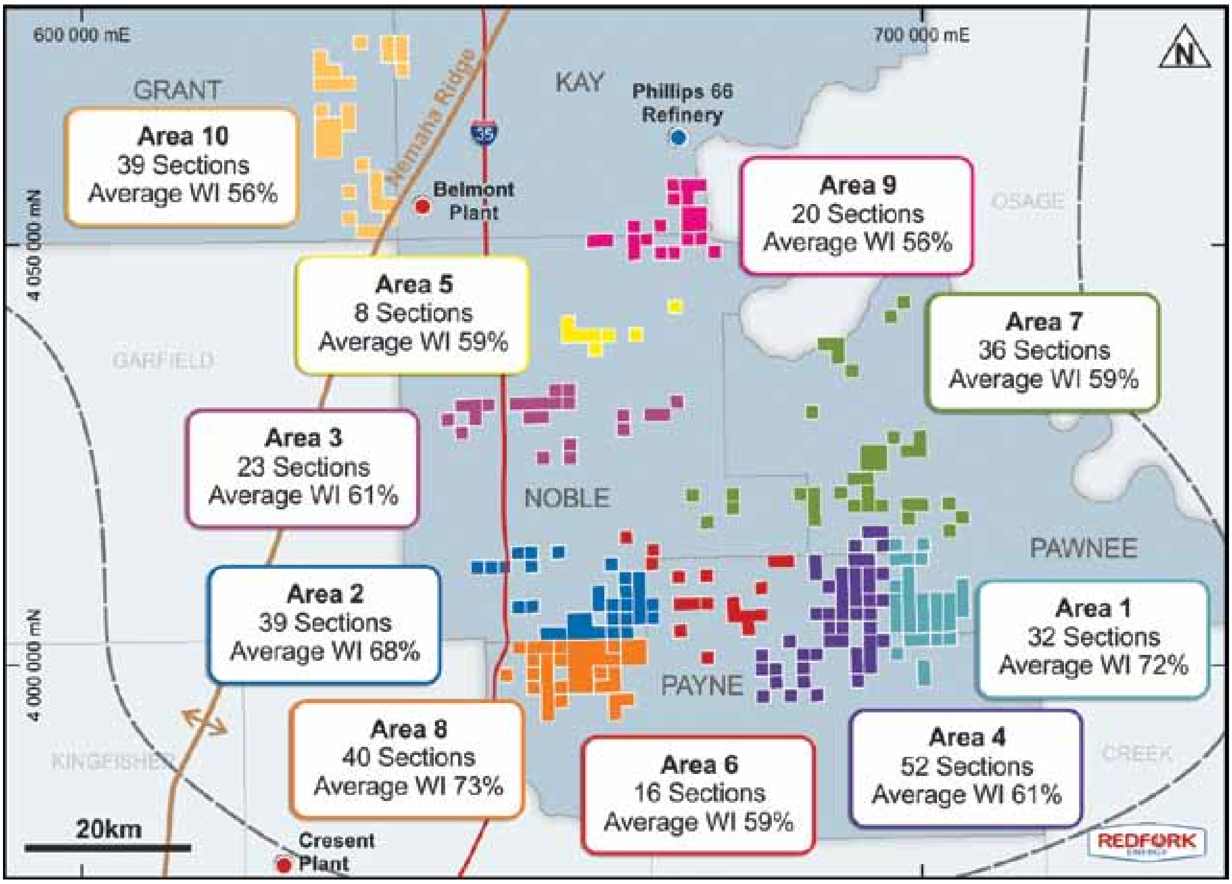
1. Grow assets

Commencing in late 2010 and expanding rapidly through 2011 the Company directed its focus toward securing a large leasehold position in what is now recognised as a premium part of the Mississippi Lime oil and liquids rich gas play in northern Oklahoma. This leasing activity resulted in the Company ultimately securing a large (~75,000 acre) position in the five key counties predominantly east of the Nemaha Ridge (the Company's Big River Project).

With the leasehold position secured, the Board and senior management team developed a strategy to maximize the value in the acreage that was centered on drilling sufficient wells over the coming years to hold the Big River acreage by production ("the HBP Strategy").

The key benefits of the HBP Strategy were seen as; maintaining control through operatorship; avoiding dilution at the asset level when the value in the play was still emerging; and providing a clear view for the Company and shareholders of the path to set up and de-risk the long term development of this highly scalable asset.

The Board and senior management team recognized that maximum value will be created through a systematic approach to the



development of the acreage - including the acquisition and interpretation of 3D seismic, the development of a drilling schedule to match lease expiries and the establishment of key infrastructure to support ultimate full field development.

2. Grow capabilities

Activity during calendar 2012 was directed towards a fundamental transformation of the Company to enable us to execute this HBP strategy. This required a significant expansion and strengthening of our team in Oklahoma across all areas, from Operations to Geology, Land and Finance. In addition we needed to attract and retain the very best service companies available with expertise in this play and finally we needed to ensure that we had sufficient capital available to fund this plan. The successful transformation of Red Fork during calendar 2012 from a leasing and exploration company to a development and production company provided the platform for the growth that we have seen during the reporting period.

3. Grow production

During the first half of calendar 2013 attention shifted to improving operational productivity as well as continuous improvement on well completion and post completion production management.

Improvements and initiatives included:

- routine acquisition and interpretation of 3D seismic to assist with well bore planning,
- utilization of jet pumps to more effectively cleanup wells prior to the installation of electric submersible pumps resulting in cost savings and improved availability,
- improved spud to first sales cycle times as a result of being able to deploy diesel driven jet pumps, when grid power was not yet available,
- improved selection of lithological targets in the horizontal lateral that result in better penetration rates,
- implementation of real-time modeling of fracture stimulation operations to improve stimulation design and placement, resulting in the ability to increase overall volumes of fluid and proppant, which in turn is expected to deliver higher EUR's (Estimated Ultimate Recoveries).

These operational improvements and initiatives combined with the strengthening of our operations teams have already delivered value both in terms of dramatically shorter spud-to-spud and spud-to-sales days and in higher EUR's. EUR's for wells drilled since the beginning of calendar 2013 average ~260 mboe with present values (NPV10) averaging US$4.4 million. Spud-to-spud days are now consistently below 25 days and we are achieving our target of 45 days spud-to-sales.

The HBP Strategy is delivering with ~30% of the acreage expected to held by production by the end of calendar 2013 and significant infrastructure to support ultimate full field development in place and operations. Production, cash flow and reserves are all growing and as expected the play (particularly the area east of the Nemaha Ridge) is attracting the attention of some of the very large US listed independents including Devon Energy Corporation (NYSE:DVN) ("Devon").

Big River remained the operational focus

During the year the Company continued to progress development at Big River utilizing up to four rigs on its Mississippian acreage (three rigs drilling horizontal wells and a fourth drilling produced salt water disposal wells as required).

The table on page 8 details the gross well status across the development areas at the current date.

In addition, horizontal drilling activity has increased significantly on the Company's non-operated acreage within its Mississippian holdings in Oklahoma. An increase in permitting, spacing and pooling activity within the Company's five key Counties is expected to result in the Company participating in an increasing number of non-operated wells throughout 2013. The Company continued with its program to acquire and interpret 3D seismic on its acreage.

Operations Review *continued*

Status	Development Area										Gross Wells	
	1	2	3	4	5	6	7	8	9	10	Total	Operated
Producing/Testing	4	16	6	9		2	4	2			**43**	**37**
Stimulating		2						1			**3**	**0**
Awaiting Stimulation		3		1		1	1			1	**7**	**3**
Drilling		1		1				1			**3**	**2**
Total	**4**	**22**	**6**	**11**	**0**	**3**	**5**	**4**	**0**	**1**	**56**	**42**

At the date of this report, Red Fork has a seismic coverage of over 100 square miles. The 3D program is ongoing and will underpin the current forward (HBP) horizontal drilling program well into 2015.

Woodford Shale is an emerging opportunity

In a further exciting development (post the end of the reporting period) details began to emerge of opportunities from the Woodford shale within the Company's Big River acreage.

Geological mapping and studies of production data, mineralogy and source rock characteristics of the Woodford shale indicate that the shale is present with productive characteristics and thicknesses across a large portion of Red Fork's Big River leasehold.

The Woodford shale which can be up to 85 feet thick across parts of our acreage sits just below the Mississippi Lime and is considered the source rock for the hydrocarbons in the Mississippi Lime. Regional third party studies (including vitrinite reflection studies) confirm that the Woodford shale within Red Fork's acreage lies in the "oil window" with expectations that Gas to Oil Ratios ("GOR's") will be similar to those seen in the Mississippian wells east of the Nemaha uplift (i.e. greater than 70% oil). Third party studies of the Woodford shale mineralogy also indicate that the shale is silica rich and therefore prone to fracturing providing the opportunity to enhance permeability through stimulation.

Red Fork's analysis indicates that greater than 90% of the Company's Mississippian acreage has Woodford shale potential, delivering in excess of 650 gross un-risked drilling locations (based on 160-acre spacing's in a full field development scenario).

As part of its current non-operated activity at Big River, Red Fork has already committed to participate in seven horizontal Woodford shale wells (with an average Working Interest of ~12%), Devon operates six of these wells.

Early indications from operators drilling horizontal Woodford shale wells in offsetting acreage point to drilling and completions costs and EUR's similar to the Mississippian (east of the Nemaha Ridge) with potential for more consistent results coming from this less geologically complex source rock. The economics of Woodford shale development are expected to be enhanced through access to infrastructure established to serve Mississippian development and through potentially lower associated operating expenses resulting from lower volumes of produced formation water.

Red Fork continues to monitor the increased activity (leasehold acquisitions, permitting and drilling) and the very encouraging results emerging from the Woodford shale across the area east of the Nemaha Ridge and will continue to participate in non-operated horizontal Woodford shale wells as the opportunities present. In the interim, the Company will continue with its HBP Strategy. However, the Company highlights that by virtue of its existing lease terms and pooling processes with the Oklahoma state regulatory body, on-going and historical development drilling has and will continue to serve to secure the underlying Woodford shale mineral rights.

Outlook remains positive

Red Fork will continue to leverage its growing capabilities base to focus on productivity and production over the coming year.

The Company remains focussed on holding its existing acreage position by production, ensuring the right to operate the acreage beyond the initial lease term and ultimately to undertake a full field development program, as well as continuing to aggressively pursue development activities in the Mississippian Lime by exploiting ongoing advances in horizontal drilling. Along with the growth in production strategy the Company is also committed to delivering improvements in well design and completion which will provide a lower production costs and increased cashflow.

The Company believes that considerable upside exists to the reserve base from further drilling and production across a larger number of development areas, increased well density (greater than three wells per 640-acre section) and improvements in well performance through well design and completion optimization. In addition, our certification consultants have not yet recognised any reserves or resource potential that may be attributable to the Woodford Shale, a productive formation that is present across a large part of the Company's acreage. This will effectively set up the fourth strategy phase for Red Fork beyond 2013 and 2014, growing reserves further and increasing the value of the Company's asset base.

East Oklahoma Project (Shale Gas)

During the year Red Fork continued to produce, gather and process natural gas (including third party gas) from the East Oklahoma shale gas project. The Company holds a large acreage position in this play with ownership and control (through its mid-stream subsidiary EaskOK Pipeline, LLC ("EastOK")) of significant gathering, compression and processing infrastructure (Wagoner "A" facilities). Although natural gas prices have increased on previous year, they continue to remain at low levels. The Company is continually improving the economics of this play by leveraging off its investment in the Wagoner "A" production and processing facilities which will provide significant positive exposure to any future increases in natural gas prices.

Importantly, EastOK currently gathers, compresses, processes and transports greater than 90% of all gas produced in this play.

Other Conventional Oil & Gas

The Company maintained production from its West Tulsa and Osage conventional oil and gas projects during the financial year.

The focus here is to sustain production with minimal capital expenditure and at the lowest possible production cost to generate cash flow from what is predominantly held by production acreage that does not have ongoing drilling commitments.

Reserves[A]

The Company updated its reserve position as at 30 June 2013 following independent certification by petroleum engineers, Lee Keeling & Associates, Inc. ("Lee Keeling").

The PV10 value of the Company's proved reserves as at the balance date stand at US$196 million (2012: US$61 million). PV10 value of all reserves including both probable and possible reserves totalled US$380 million as at the balance date (2012: US$217 million).

The PV10 value of the combined reserves (proved plus probable plus possible) and contingent resources stood at more than US$750 million as at the balance date.

Group Net (post royalties) Reserves As at June 30, 2013	mmboe	NPV10 (US$)
Proved (1P)	14.0	196.3
Proved plus Probable (2P)	18.6	233.0
Proved plus Probable plus Possible (3P)	28.3	379.7
Contingent Resources (1CR)	38.1	373.9
Total All Categories	**66.4**	**753.6**

Improved operational performance at the Company's Big River project during the period resulted in an average EUR of 260 mboe and an average net present value of US$4.4 million for wells drilled since January 1, 2013.

The economic model used to establish the net present value for these reserves uses SEC pricing method, based on a constant price of US$92.14 per barrel for oil and a constant price of US$3.25 per mcf for gas. Differentials were used to adjust the gas price for the liquids yield contained in high BTU gas. Drilling and completion costs per well were estimated at US$3.154 million.

[A] Refer Competent Persons Statement on Page 19.

FINANCIAL REVIEW

Operating and financial results for the year

All amounts disclosed within the financial review are in US dollars unless otherwise stated.

Revenue from oil and gas sales and gathering and processing income amounted to US$18.2 million, compared to US$6.2 million for the previous year, a significant increase of 194%. The increase in revenues reflects the increase in activity particularly at the Big River Project. Gross profits increased to US$11.3 million for the year (up from US$2.7 million in 2012).

Volume: In equivalent terms, overall gross production for the year was 459 mboe. On a net revenue interest basis Red Fork produced and sold 144,577 BO, a significant increase from 31,536 BO produced in the corresponding 2012 year. Net gas sales also increased from 393,360 MCF to 538,948 MCF for the current year.

Price: Average gross oil sales prices remained robust at $91.30 per barrel for the year; and average gas prices recovered to US$3.68 from the prior period low of US$2.48 per MCF.

Gross profitability for the Group increased by 328% to US$11.3 million up from US$2.7 million in the prior year. The increase is reflection of increased production levels. The efforts of the Company on maintaining its very low gathering and processing costs in the gas market as well as an increase in natural gas prices during the year also contributed to the overall increase in profit.

Operating results for the Group amounted to an after tax loss of US$5.1 million (2012: US$6.2 million). The increase in gross profit was offset by an increase in non-cash amortisation expense in oil and gas properties from US$3.0 million in the prior year to US$4.7 million as a result of more oil and gas producing properties were brought online during the year. Equity based payments increased from US$1.6 million in prior year to US$3.5 million mainly due to the value attributed and expensed in relation to the performance rights issued to the directors in prior year and the issue of 9,600,000 performance rights to the employees during the current financial year. Further details of the performance rights are contained in Note 14(d) of the Notes to the financial statements. 3,600,000 performance rights issued to the directors in 2011 were fully vested and converted to shares on 1 May 2013.

Financial position

The Company has cash funds on hand of US$3.8 million at year-end. The value of the Company's exploration assets as at balance date increased to US$28 million. Production, plant equipment and pipeline assets are now held to a value of US$159 million, arising from the acceleration of drilling, development and production activities.

Company Structure

During the financial year, the Group complied with ASX Corporate Governance Council's best practice recommendations with the appointment of Mr. William Warnock and Mr. Larry Edwards both as independent Non-Executive Directors whilst Mr. Perry Gilstrap stood down from his Executive Director position and Mr. Steve Miller resigned as a director from the Board.

In addition, the United States based executive team has been enhanced with the appointment of Mr. Chris Girouard as President of Red Fork (USA) Investments, Inc. and COO and Mr. Lee Francis as Executive Vice President of Operations.

The Company is pleased to have been able to attract the services of these very experienced directors and senior executives.

	2013 US$'000s	2012 US$'000s	2011 US$'000s
Revenues	18,181	6,193	3,034
Gross profit	11,314	2,676	1,569
Net profit (loss) after income tax	(5,089)	(6,254)	(3,719)
Basic loss per share (cents)	(1.37)	(2.14)	(2.30)

Directors’ Report

The Tulsa based senior management team supporting Chief Executive Officer, Mr David Prentice, has been significantly enhanced by the appointment of Mr Chris Girouard as President and Chief Operating Officer and Mr Lee Francis as Executive Vice President, Operations with ongoing support from our Chief Financial Officer Mr Kevin Humphrey.

Directors' Report *continued*

The Directors submit their report for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act, the directors report as follows:

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

- Michael Fry
- David Prentice
- Perry Gilstrap (Resigned 18 February 2013)
- Bruce Miller
- William Warnock (Appointed 17 January 2013)
- Larry Edwards (Appointed 1 May 2013)
- Steve Miller (Resigned 19 November 2012)

INFORMATION ON DIRECTORS

Michael Fry

Non-Executive Chairman

Qualifications

B.Comm, F.Fin

Experience

Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Financial Services Institute of Australasia, and is a past member of the ASX. Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies.

Other Directorships

Michael Fry is currently the non-executive chairman of ASX Listed Companies Norwest Energy NL and Challenger Energy Ltd. Mr Fry was a non-executive director of Liberty Resources Ltd until 10 April 2012 and Killara Resources Limited until 9 October 2012.

Special Responsibilities

Michael Fry is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

David Prentice

Chief Executive Officer

Qualifications

Grad. Dip BA, MBA

Experience

David Prentice's career includes more than 25 years' experience in commercial management and business development within the natural resources sector, working for some of Australia's leading resource companies. This has included high-level commercial and operational roles with a number of listed and unlisted resource companies.

Other Directorships

David is currently a non-executive director of ASX listed Jameson Resources Limited. He was a director of Challenger Energy Limited until 26 March 2012.

Bruce Miller

Executive Director Resources

Qualifications

B.Sc. Geology, M.Sc. Geology

Experience

Bruce Miller has more than 30 years of geological experience, including well site supervision of over 400 wells in Oklahoma and Kansas, design and implementation of drilling programs and completions. His experience includes evaluation of both conventional and unconventional oil and gas prospects in Kansas, Oklahoma, Ohio and Texas. Bruce has also been involved in large CBM evaluation and development projects in Kansas and Oklahoma.

Other Directorships and Special Responsibilities

Nil

William Warnock

Non-Executive Director

Qualifications

B.Sc. Civil Engineering. Registered professional civil and petroleum engineer.

Experience

William Warnock's career in the Oil and Gas industry spans 38 years and includes holding senior positions in Exxon USA (Offshore Division Reservoir Engineering Manager), Crystal Oil Company (Executive Vice President and Chief Operations Officer). Bill has extensive experience in prospecting for and evaluating oil and gas drilling and acquisition opportunities. During his 39 year career he has founded and ultimately sold six oil and gas E&P and marketing companies, and he also invented and patented three different processes related to oil and gas fracking and production. Brighton Energy was William's most recent successful venture, a natural gas exploration and production company which he formed in 1997. He was the majority owner, president and CEO of Brighton until its sale to Unit Petroleum and Chesapeake Energy in 2006.

Other Directorships

Nil

Special Responsibilities

William Warnock is the chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Larry Edwards

Non-Executive Director

Qualifications

B.Sc. Industrial Engineering and Management, M.B.A

Experience

Larry Edwards has over 35 years holding senior executive positions in listed and non-listed entities across US and Canada. Larry's experience covers operations, project and business development, risk management and general corporate activities. Larry is also a member of the Institute of Corporate Directors and a graduate of the Directors Education Program.

Other Directorships

Larry is a non-executive director of TSX listed New Flyer Industries Inc.

Special Responsibilities

Larry Edwards is the chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.

INFORMATION ON EXECUTIVES

President of Red Fork (USA) Investments, Inc. and Chief Operations Officer

Chris Girouard

B.B.A, Certified Professional Landman

Chris Girouard has a degree in Petroleum Land Management and has managed the land department of several Tulsa based independent oil and gas exploration and production companies over 26 years. Chris was a founding member of Brighton Energy. Chris has extensive experience in managing and executing all phases of petroleum land management in Oklahoma, Texas, Arkansas, Louisiana, New Mexico and Colorado. Chris was appointed as President of Red Fork (USA) Investments, Inc. and Chief Operations Officer on 30 January 2013.

Executive Vice President of Operations

Lee Francis

Lee Francis holds a degree in engineering and is a registered professional engineer in the state of Oklahoma. With over 35 years of experience as both an employee and consultant to independent and major oil and natural gas companies, Lee has been responsible for the drilling, completion and operation of numerous wells in the Mid-continent, Rocky Mountains, Gulf Coast and California. Lee was a founding member of Arapahoe Marketing Services, LLC and served as its President. Arapahoe Marketing Services, LLC, owned and maintained gas compressors employed on Brighton Energy operated wells and managed the marketing of its gas production. Lee was appointed as Executive Vice President of Operations on 30 January 2013.

Chief Financial Officer

Kevin Humphrey

B.B.A, CPA

Kevin Humphrey is a certified public accountant with extensive experience in the oil and gas industry. Mr. Humphrey's experience includes provision of audit and advisory services with Arthur Andersen, LLP, managing a portfolio of Oklahoma, Texas and New Mexico based energy customers with Bank of Oklahoma. Kevin was the Chief Financial Officer of Brighton Energy, Millbrae Energy and Mahalo Energy. Kevin was also a founding member and CFO for Eagle Energy of Oklahoma.

Company Secretary

Suzie Foreman

B.Com, CA

Suzie is a chartered accountant with over 17 years of experience within the UK and Australia. Ms Foreman has 9 years' combined experience with KPMG and a boutique accounting firm specialising in the provision of audit and corporate services and also has extensive skills in the areas of financial and management reporting, due diligence, ASX and ASIC corporate and regulatory compliance. Suzie has been involved in the listing of numerous exploration companies on the ASX, AIM and OTC markets and assisted in corporate matters including capital raisings, acquisitions, divestments, finance, joint ventures and corporate governance. Suzie is also Company Secretary to ASX listed companies Jameson Resources Limited and Merah Resources Limited. Suzie is a non-executive director of Merah Resources Limited.

Suzie Foreman is the secretary of the Audit and Risk Committee and the Remuneration and Nomination Committee.

CORPORATE INFORMATION

Corporate Structure

Red Fork Energy Limited is a public company incorporated and domiciled in Western Australia and listed on the Australian Securities Exchange (ASX Code: RFE) and US OTCQX (RDFEY). Red Fork Energy Limited and its wholly owned subsidiaries, Red Fork (USA) Investment Inc. and EastOk Pipeline LLC, are incorporated in the state of Oklahoma and are collectively referred to as "Red Fork Energy", or "the Group", as the context requires.

Nature of operations and principal activities

The Group's principal activities during the year continued to be the exploration and appraisal for, and development and production of oil and gas in the mid-continent region of the United States.

No significant changes in the nature of the activities of the Group occurred during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following summary of events marks significant milestones in the state of affairs of the Company during the financial year:

- Increased funding capacity by entering into a $100m secured credit facility (the "Facility") with the F&M Bank and Trust Company acting as the lead banker. The initial borrowing base of $45m of which $25m was drawn down at reporting date;
- Increased equity funding during the financial year with Euroz Securities Limited acting as Underwriter and Lead Manager to the placement and E.L. & C. Baillieu Stockbroking as broker to the issue, raising A$50 million (before costs of issue);
- Operated or participated in the drilling and completion of 32 wells (27 Red Fork operated) during the year, with an additional 6 wells either drilling or awaiting completion at 30 June 2013;
- Invested $96m in exploration, development and acreage acquisitions;
- Improved cycle times with more recent wells recording spud-to-spud cycle times less than the current 26-day average
- Reported net oil and gas and other sales revenue of $18.1m for the year, an increase of almost 200% on the prior year;
- PV10 of Proved reserves across all projects increased by 220% from $61m to $196m, Total reserves, including 2P and 3P reserve quantities increased from $217m to $380m; *

- Achieved production exit rates of 2,229 Boe per day production and net of approximately 1,690 Boe per day by the year end.

*PV10 reserves for the current and prior year calculated at SEC Pricing. For further details refer Page 9.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

AFTER BALANCE DATE EVENTS

The Board of directors resolved to change the Company's financial year end date from 30 June to 31 December effective 1 July 2013 in accordance with section 323D(2A) of the Corporations Act 2001. The change has been made in order to align with the US subsidiary and peer companies operating in the US. The Company will have a six month transitional financial year beginning on 1 July 2013 and ending on 31 December 2013, and thereafter, the Company will revert to a twelve month financial year commencing on 1 January and ending 31 December.

On 12 July 2013, the Company announced its agreement with Euroz Securities Limited and Canaccord Genuity (Australia) Limited to act as Joint Lead Managers and Joint Bookrunners to a placement of 111 million new ordinary shares at an issue price of A$0.43 to qualified institutional and sophisticated investors, raising A$47.7 million (before costs of issue). The placement was not underwritten.

The placement shares were issued via two tranches, with 58 million shares issued on 18 July 2013 under the Company's available 15% capacity pursuant to ASX Listing Rule 7.1 and 53 million shares were approved by shareholders at an Extraordinary General Meeting held on 19 August 2013. The second tranche placement shares were issued on 20 August 2013.

On 30 June 2013, the Credit Facility was expanded to a total of US$100 million. The borrowing base was increased to a total of US$45 million, (of which US$25 million was drawn down as at the reporting date) at a variable interest rate with a final maturity date of 31 March 2014 ("Revolving Commitment A"). A maximum credit limit of US$90 million was designated for the purpose of continuing development of drilling programs in the Mississippi lime play. In addition, a supplemental US$10 million revolving line of credit facility ("Revolving Commitment B") at a fixed interest rate of 8% was also established for the purpose of using financial hedge products purchased through the Swap Counterparty to provide price protection for Red Fork's oil and natural gas production in accordance with an ISDA Agreement between the Swap Counterparty and Red Fork.

Red Fork initiated its crude oil hedging program in July 2013. The Company sold West Texas Intermediate ("WTI") swaps at an average price of US$101.23 per barrel for the period of August, increasing to 20,000 barrels per month to December 2013 at an average price of US$102.32 per barrel. The Company is also in contract to sell 20,000 barrels per month of calculated average WTI swaps at an average price of US$98.60 per barrel from January to March 2014. The Company is looking to maintain and add to this program in the future in an effort to provide an appropriate level of protection to future cash flows in the event of lower crude pricing.

The Directors are not aware of any other matter or circumstances that has arisen since 30 June 2013 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The development in the operations of the Group have been included in the Significant Changes in the State of Affairs section of this Report.

The Groups business strategies and prospects for growth in future financial years are currently concentrated on the development of its current projects and with the acquisition of further plays which complement this development model. The Company will also continue to expand the scale, capacity and capability of its mid-stream business.

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

The exploration, development and production operations conducted in the United States by the Group are subject to relevant environmental legislation and regulated by both State and Federal bodies, principally the Environmental Protection Agency on a federal level and by the Oklahoma Corporation Commission on a state level. The Group activities which are monitored and affected by legislation include drilling, development, storage, spill prevention controls and containment. The Group ensures that it complies with all regulations in carrying out its operations and is not aware of any breach of those environmental regulations.

Red Fork Energy is aware of its environmental obligations with regards to these activities and ensures that is complies with all regulations. There have not been any known breaches of the consolidated entity's obligations under these environmental regulations during the year under review and up to the date of this report.

Given the location of the Group's operations in the USA, both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 are not expected to have a material impact.

EMPLOYEES

Red Fork Energy Limited had 31 full time employees at the financial year end. The Chief Executive Officer, David Prentice, is based in Perth, Australia. The operations of the Company (including exploration, development, production, engineering, land administration and general administration) are managed and supervised through the Company's 100% owned operating subsidiary Red Fork (USA) Investments, Inc. from its office located in Tulsa (Oklahoma). The operating subsidiary employs 30 full time employees and a number of contract employees from time to time as operations demand.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year each director held office and the number of meetings attended by each director are detailed in the table below.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee as sub committees of the Board of Directors.

Meetings of Directors

Director	Directors Meetings		Audit & Risk Committee Meetings		Remuneration & Nomination Committee Meetings	
	Meetings Attended	Number Held and Eligible to Attend	Meetings Attended	Number Held and Eligible to Attend	Meetings Attended	Number Held and Eligible to Attend
Michael Fry	9	10	3	3	3	3
David Prentice	10	10	-	-	-	-
Bruce Miller	10	10	-	-	-	-
Perry Gilstrap++	4	6	-	-	-	-
Steve Miller+	2	2	1	1	1	1
William Warnock*	5	5	2	2	2	2
Larry Edwards**	2	2	1	1	1	1

* Appointed 17 January 2013
**Appointed 1 May 2013
+ Resigned 19 November 2012
++ Resigned 18 February 2013

Members of sub committees are as follows:

Audit and Risk Committee	Remuneration and Nomination Committee
Larry Edwards (Chairman)	William Warnock (Chairman)
William Warnock	Larry Edwards
Michael Fry	Michael Fry

OPTIONS

At the date of this report the following options over ordinary shares in the Company were on issue and are unexercised.

No share options are issued to the directors as at the date of this report.

During the financial year ended 30 June 2013, a total of 95,000 employee options were exercised, 200,500 employee options expired unexercised and 1,086,000 employee options were cancelled. There have been no movements in the number of options issued subsequent to the end of financial year 2013.

Directors' holdings of shares and share options during the financial year have been disclosed in the Remuneration Report and in note 18 of the Financial Report. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

PERFORMANCE RIGHTS

At the date of this report the following performance rights were on issue.

Options table

Type	Date of Expiry	Exercise Price AUD	Number Under Option
Unlisted Options	30 June 2014	$0.65	1,600,000
Unlisted Options	30 June 2014	$0.35	708,333
Unlisted Options	30 June 2014	$0.45	708,333
Unlisted Options	30 November 2014	$1.20	501,000

Performance Rights table

Type	Date of Expiry	Number Under Performance Rights
Tranche B – Directors (i)	30 April 2016	2,000,000
Tranche C – Directors (ii)	30 April 2016	2,000,000
Tranche A – Employees (iii)	26 October 2017	2,030,000
Tranche B – Employees (iv)	26 October 2017	3,650,000
Tranche C – Employees (v)	26 October 2017	3,800,000

The above performance rights have the following vesting conditions:

(i) Receipts from sales must exceed US$16 million per annum (measured for two consecutive fiscal quarters annualized) ("milestone"), and the holder remains an employee of the Company until three months of the completion of the milestone.

(ii) Receipts from sales must exceed US$30 million per annum (measured for two consecutive fiscal quarters annualized) ("milestone"), and the holder remains an employee of the Company until three months of the completion of the milestone.

(iii) Receipts from sales must exceed US$8 million per annum (measured for two consecutive fiscal quarters annualized), and the holder is required to remain an employee for 12 months following the grant date for the Performance Rights to convert into Shares.

(iv) Receipts from sales must exceed US$16 million per annum (measured for two consecutive fiscal quarters annualized), and the holder is required to remain an employee for 24 months following the grant date for the Performance Rights to convert into Shares

(v) Receipts from sales must exceed US$30 million per annum (measured for two consecutive fiscal quarters annualized), and the holder is required to remain an employee for 36 months following the grant date for the Performance Rights to convert into Shares

Directors' holdings of performance rights table

Directors	Type	Number of Performance Rights
David Prentice	Tranche B	1,000,000
	Tranche C	1,000,000
Bruce Miller	Tranche B	1,000,000
	Tranche C	1,000,000
William Warnock	-	-
Larry Edwards	-	-
Michael Fry	-	-

During the financial year ended 30 June 2013, a total of 9,600,000 performance rights were issued to employees of the Company, 3,600,000 director performance rights were converted into fully paid ordinary shares and a total of 2,750,000 performance rights were cancelled due to cessation of employment.

Subsequent to the end of financial year 2013, a further 630,000 performance rights were issued to the employees.

Directors' holdings of performance rights as at the date of this report are above:

As at the end of the financial year there were 389 million ordinary shares on issue, 3.5 million unlisted options and 12.85 million unlisted performance rights on issue.

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Company currently has a directors' and officers' liability insurance in place. A total premium of A$72,255 has been paid for cover period from 1 May 2013 to 30 April 2014. Under the terms of the policy, the Company is covered for a limit of up to A$20 million in aggregate against loss by reason of a wrongful act by the directors and officers during the period of insurance. No excess fee is payable for loss from such claims. The Company is also insured for the reimbursement of any payment by the Company following a successful defence of any wrongful act committed or alleged to have been committed by a Director or Officer of the Company during the period of Insurance. An excess fee of A$20,000 is payable for loss from such claims made in Australia and US$75,000 is payable for loss from such claims made in the US. In addition, the Company is insured for a sub-limit of up to A$5 million against securities claims.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 40 and forms part of this directors' report for the year ended 30 June 2013.

NON AUDIT SERVICES

During the year, the entity's auditors have not performed any non-audit services.

COMPETENT PERSONS STATEMENT – RESERVE CERTIFICATION

The independent certification of the reserves outlined in this annual report was undertaken by Lee Keeling & Associates, Inc. (LKA). LKA are engaged on a periodic basis by the Company to review and prepare a report on the Company's oil and gas reserves. 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.

REMUNERATION REPORT (AUDITED)

A message from the Board

Dear Shareholders,

I am pleased to introduce the Remuneration Report for Red Fork Energy Limited for the year ended 30 June 2013. The Remuneration and Nomination Committee (or "Remuneration Committee") has been focused during 2013 on ensuring remuneration remains appropriately aligned with Red Fork's strategy of continuing to build a successful oil and gas exploration and production company.

The Company received a vote in excess of 25% against the 2012 Remuneration Report at its Annual General Meeting (AGM) of shareholders held in November 2012, resulting in a first strike under the new executive remuneration laws. The Board has responded with a more transparent framework for assessing the performance of Key Management Personnel against the key performance indicators designed to achieve the Company's strategic goals.

In prior reporting periods, the remuneration principles of the Company have been to align senior management objectives with the Company's strategic goals through the provision of remuneration packages comprising a fixed and variable cash salary component and equity based long-term incentives. The design of Key Management Personnel's remuneration was prudently and responsibly undertaken through the development of remuneration packages deemed appropriate for an emerging producer.

The expansion of the business and recognition of current best practice has prompted a formal review by the Company and its remuneration consultants. The Remuneration and Nomination Committee has revised and approved both Short Term and Long Term Incentive Plans which have either been implemented, or are due to be implemented, subject to approval by shareholders at the Company's upcoming 2013 Annual General Meeting. A summary of the key changes is outlined in table 1 below.

We are pleased with the changes that the Company has made in such a short timeframe and in the constructive dialogue which has taken place from our stakeholder meetings, and we will continue this practice for the 2014 period and beyond.

Yours faithfully,

W. E. Warnock

Bill Warnock
Chair of the Remuneration Committee

Table 1: Summary of changes to STI and LTI plans

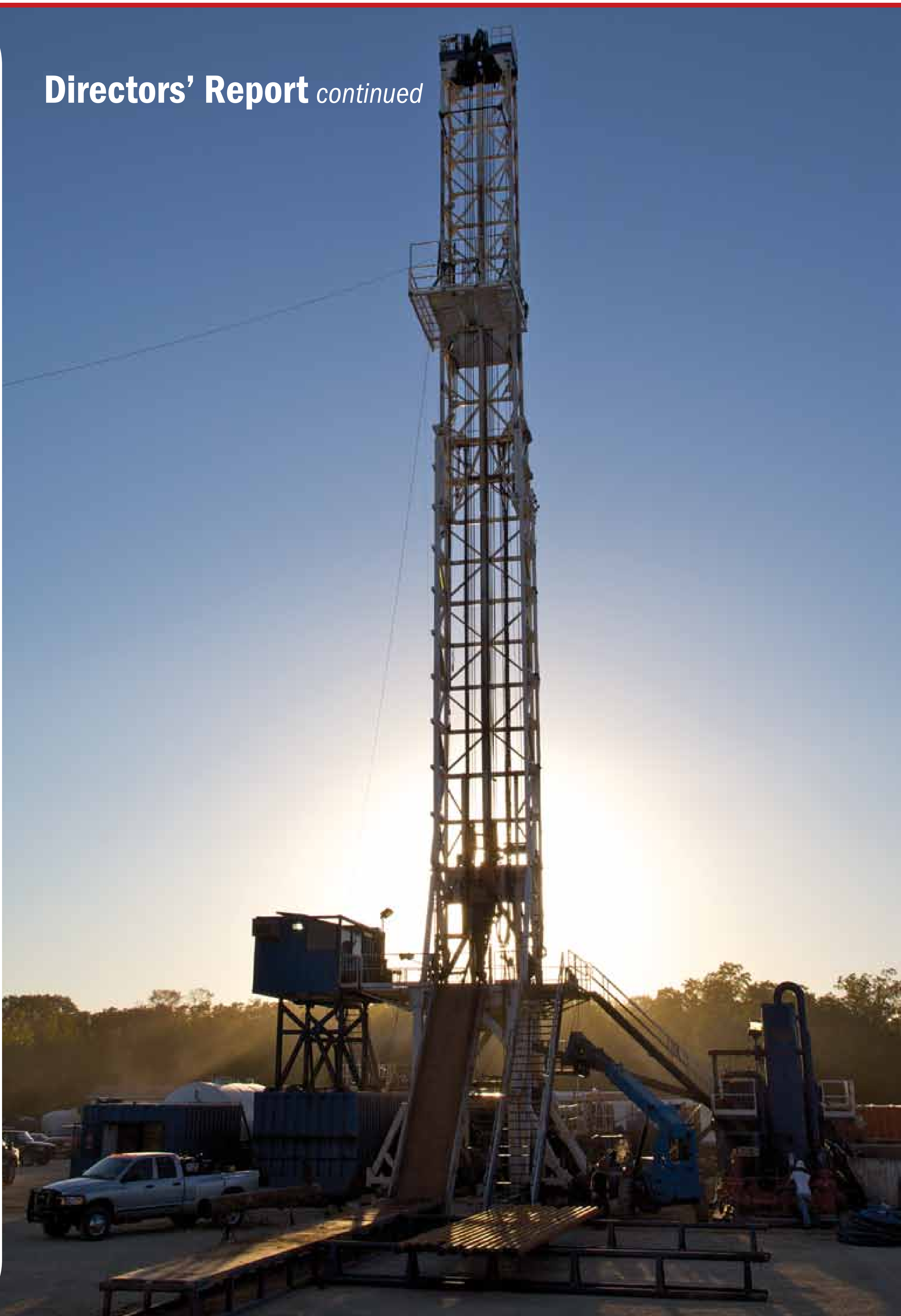
STI Scheme

Terms	During The Reporting Period	For Future Reporting Periods
Plan Eligibility	All employees	Professionals, Managers and Executives
Performance Conditions and weightings	Individual performance 100%	80% Company specific performance factors based upon Scorecard and 20% financial performance
Over-riding factor	Nil	Trigger Factors determined by the Remuneration Committee and approved by the Board
Change of control provisions	Not specified	If payment is ultimately due and, as a result of a change of control, a participant's employment with Red Fork is terminated or the plan is discontinued prior to the end of the term of the plan, affected participants will receive a pro-rata award at the end of the year for the portion of the year they were actively employed or that the plan was in place.

LTI Scheme

Terms	During The Reporting Period	For Future Reporting Periods
Plan Eligibility	Non-Executive directors previously participated, now ceased under existing performance rights plan	Professionals, Managers and Executives
Performance Conditions	Revenue Based Targets and service period	Relative Total Shareholder Return as compared to peer companies
Frequency of Allocation of Grant	One off grant as determined appropriate by the Board	Annually
Performance Period	Vests upon later of achievement of performance milestone, and between 1 to 3 years' service period for employee participants and 3 months following milestone achievement for directors.	3 years from award date
Change of control provisions	Unvested performance rights vest, although the Board has absolute discretion.	If payment is ultimately due and, as a result of a change of control, the participant's employment with Red Fork is terminated or the plan is discontinued prior to the end of the term of the plan, the participant will receive a pro-rata distribution at the end of the term based upon the proportion of the 3 year term they were actively employed.

Directors' Report *continued*



The Remuneration Report covers the following matters:

A. INTRODUCTION

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001. Information regarding the remuneration of key management personnel ("KMP") is required by Corporations Regulations 2M.3.03. KMP are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

The Red Fork Board is committed to transparent disclosure of its remuneration strategy and this report details the Group's remuneration objectives, practices and outcomes for KMP, which includes Directors and senior executives, for the year ended 30 June 2013. Any reference to "executives" in this report refers to KMPs who are not Non-Executive Directors.

Red Fork's KMPs

Key Management Personnel for Red Fork include the following Non-Executive Directors, Executive Directors, and Senior Executives who were in office during or since the end of financial year 2013:

- Non-Executive Directors – there were three Non-Executive Directors at the reporting period end;
- Executive Directors and senior management (Executives) – as at 30 June 2013 there were five Executives, including Chief Executive Officer, David Prentice;
- Former Directors – there is one former Executive Director, Perry Gilstrap and one former Non-Executive Director, Steve Miller, included in Key Management Personnel for part of the Reporting Period.

Category	Name	Position	Appointment Date
Non-Executive Directors	Michael Fry	Independent Chairman	20 April 2004
	Bill Warnock	Independent Non-Executive	17 January 2013
	Larry Edwards	Independent Non-Executive	1 May 2013
Executive Directors	David Prentice	CEO/ Managing Director	20 April 2004
	Bruce Miller	Technical Director	26 July 2005
Executives	Chris Girouard	President and Chief Operating Officer	30 January 2013
	Kevin Humphrey	Chief Financial Officer	1 August 2011
	Lee Francis	Executive Vice President of Operations	18 January 2013

Reporting Notes

Reporting in United States dollars

In this report, the remuneration and benefits reported are presented in US dollars. This is consistent with the change in presentation currency of the company from Australian dollars to US dollars from 1 July 2011. Compensation for Australian-based employees is paid in Australian dollars and, for reporting purposes, has been converted to US dollars based on the average exchange rate for the year. Valuation of equity awards is converted at the applicable spot rate when the equity award is granted.

Remuneration Period

Change in Financial Period End

Red Fork's remuneration period runs from 1 January to 31 December each year which aligns with the US subsidiary's reporting period. In order to increase transparency in the Financial Report and to align remuneration periods with reported outcomes, the Board has resolved to change the Company's financial reporting period to 31 December. This will also align the reporting period with Red Fork's peer companies operating in the US.

B. REMUNERATION POLICY DURING THE REPORTING PERIOD

B.1 Remuneration Policy

The Board's policy for determining the nature and amount of remuneration for Executives during the Reporting Period was as follows:

- the remuneration policy developed by the Remuneration Committee and approved by the Board in the previous reporting period continued to apply in part to the 2013 period whilst the Remuneration Committee undertook a review of remuneration practices;
- the Remuneration Committee reviewed executive personnel packages during the period to 30 June 2013 by reference to the status of the Company's projects, executive performance and comparable information from industry peers; and
- The previous STI scheme ceased at 31 December and was replaced by a new STI scheme (Refer to Section E for details).

B.2 Policy for and Components of Executive Remuneration During the Reporting Period

(i) Fixed Remuneration

Determining fixed remuneration levels

Fixed remuneration was reviewed by the Remuneration and Nomination Committee and approved by the Board having regard to relevant comparable remuneration in the oil and gas industry. In addition, external consultants provided analysis and advice to ensure that the Chief Executive Officer and Senior Executives' remuneration was appropriate given market practices. The Company sought to position its fixed remuneration in line with comparably sized US-operated oil and gas exploration and production companies.

Regional variations

Executives receive their fixed remuneration in the form of base salary and varying fringe benefits depending to some extent on the location in which the executive is based:

Australia-based executives: Executives receive an employer superannuation contributions made into a complying superannuation fund at the required Superannuation Guarantee rate (Currently 9.25%, 2013: 9.0%) of base salary. In line with prevalent market practice, Australia-based executives may receive other benefits including vehicle benefits.

USA based executives: Executives receive retirement benefits in accordance with 401k plan regulatory requirements. USA-based executives also receive Health Plan benefits in accordance with the Company's group health insurance plan.

STI Plan Applicable to the Reporting Period

The Company's 2012 STI Plan was effective from 1 January 2012 to 31 December 2012, and payments under the plan were made during the current financial year and are reflected in the remuneration table in Section E.2, STI payments were granted annually to staff, executives and executive directors depending on individual performance over the specified period. The Remuneration and Nomination Committee retained the discretion to adjust individual bonuses, if appropriate. The overall target STI pool available was 15% of the gross base salaries of the Company's staff.

Remuneration Outcomes During the Reporting Period

Chief Executive Officer (CEO)

Mr Prentice's remuneration is governed by his contract of employment. For 2013 financial year, it was comprised of:

- 38% fixed remuneration;
- 5% short term award component;
- 57% long term incentive component.

Refer Table 6, Key management personnel remuneration below.

Short Term Award

The grant of the short term incentive bonus to the CEO was based upon his performance as determined by the Board. This assessment was made prior to the introduction of the Scorecard performance assessment developed 1 January 2013 (refer Section E for further details).

For the reporting period, the incentive bonus paid to the CEO was approved by the Board. The previous Remuneration and Nomination Committee recommended a cash bonus of 15% of base salary being the maximum award designated under the STI plan based upon a review of performance factors including:

- the growth in production and revenue;
- reserve growth;
- the search for and recruitment of a COO as a succession plan for the retirement of the President of USA Investments;
- the responsibility for investor relations culminating in successful capital raising;
- board restructure and recruitment of independent Non-Executive directors to align with Corporate Governance best practices; and
- the recruitment of staff within the Tulsa office, in particular for the finance, engineering and geological functions.

The Board concurred with the recommendation of the Remuneration and Nomination Committee.

Key Management Group

All executives, excluding Lee Francis who was not employed by Red Fork during the STI period, received a bonus of 15% of their base salaries, being the maximum award designated under the 2012 STI plan.

The bonuses were paid following a review of each executive's performance and his contribution to companywide performance based upon factors including:

- the growth in production and revenue;
- reserve growth;
- improvements in operational productivity; and
- the recruitment of staff within the Tulsa office to support the existing team, in particular for the finance, engineering and geological functions.

The previous Remuneration and Nomination Committee made the recommendations which were subsequently approved by the Board.

LTI Plan During the Reporting Period

The LTI plan in operation for the 2013 year was a performance rights plan which linked remuneration incentives by way of Performance Rights to Company performance targets. The Performance Rights Plan (PRP) was approved by shareholders at the Company's Annual General Meeting (AGM) in 2011.

The then existing Remuneration and Nomination Committee was responsible for this LTI Plan during the reporting period and for the oversight and administration of the Plan, including determination of the performance conditions associated with each grant and the quantum of rights granted. The Board approved the final grant of performance rights to each participant under the plan.

The Company underwent a significant change in its key management structure during the year 2013 with the appointment of a new President and Chief Operating Officer and Executive Vice President of Operations and rapid growth in the number of staff from 23 to 31 full time employees.

Accordingly, the Board approved the issue of 3.5 million unlisted Performance Rights to KMP executives who previously had no equity based compensation scheme or long term incentive awards, and 6.0 million in total to employees under the PRP. The decision was made to focus and incentivise the new key management team on the long term growth of the Company. Directors received no Performance Rights during the reporting period.

The performance conditions under the PRP were revenue based targets, being sustainable sales revenue over a 6 month period (or for two consecutive quarters), to align with the Performance Rights granted to the executive directors. The vesting conditions were also linked to period of service and vested in equal proportions from 1 to 3 years from the grant date provided the performance conditions were achieved. Revenue based targets were considered to be an appropriate measure of the Company's performance and, given the stage of Red Fork's development, they were deemed a clear and transparent mechanism for participants to understand. The quantity of performance rights granted to each participant was based upon their respective levels of responsibility within the organisation. The maximum incentive opportunity provided to the key executives during the year ranged from approximately 130% to 390% of base salary. Further details are contained in Section H to this report and Note 18(c) iii to the financial statements.

The Board, based upon recommendations from the Remuneration and Nomination Committee, and in consultation with its remuneration consultant, is discontinuing the existing Performance Rights Plan as it recognizes that this is no longer aligning with best practice. Awards to executives have ceased under the Performance Rights plan beginning 30 June 2013, however the Company has retained the use of the plan as an employee only incentive plan during the interim period to align only new employees remuneration incentives with competitive market practices and their company peers, until the proposed LTI plan is approved and adopted by shareholders at the next Annual General Meeting.

B.3 Policy for and Components of Non-Executive Remuneration During the Reporting Period

Remuneration Policy

Non-Executive Director Fees

The overall level of annual Non-Executive Director fees was approved by shareholders in accordance with the requirements of the Company's Constitution and the Corporations Act. The maximum aggregate Directors' fees payable to all of the Company's Non-Executive Directors is $500,000 per annum. This aggregate amount was approved by shareholders at the 2012 Annual General Meeting.

In setting individual current fees, the Board in consultation with its remuneration consultants considered:

i) the fees payable by ASX listed entities of similar size (market capitalization) for all Non-Executive Directors,

ii) for the new US Non-Executives, the fees payable based upon US industry surveys for Non-Executive Director groups and policy fees for committee participation,

iii) the circumstances of the Company and consequent expected workloads of each Director,

iv) the relevant skill, expertise and experience each individual Non-Executive Director will bring to the Board.

Equity Compensation

In accordance with Australian practice and shareholder preference, the Company's current policy is not to grant equity based compensation to Non-Executive Directors.

Remuneration Structure

Non-Executive Directors receive a fixed remuneration of base fees plus statutory superannuation. In addition, and in recognition of the higher workloads and extra responsibilities of participating on a Board committee, if applicable, they also receive a committee fee and chairing a committee also warrants a higher fee. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committee or shareholder meetings whilst engaged by Red Fork. All US Non-Executive Directors receive payment for the costs of their family medical insurance premiums in accordance with the US policy on group medical insurance. Non-Executive Directors do not earn retirement benefits other than superannuation and are not entitled to any compensation on termination of their directorships.

The annual Board and committee fees were reviewed in the circumstance of the newly appointed Non-Executive Directors during the year and considered in context of the increased responsibilities and the requirements of the Non-Executive Directors arising from the increase in the size and complexity of the Company over the year.

The current Board and additional committee fee structure for Non-Executive Directors was approved by the Board effective 1 January 2013, as per Table 2 below:

Table 2: NED Board and Sub Committee Policy Fees

Board		Committees	
Chair	Member	Chair	Member
$120,000	$100,000	$10,000	$5,000

These remuneration levels were consistent with the average total Non-Executive Director compensation (including cash and variable compensation) of a comparable director across the company's peer group in the USA and according to findings from the remuneration consultant, Villareal Associates, and market data supplied by Ernst and Young for the Australian based Chairman

Based on best practice, equity awards will not be granted to Non-Executive Directors. Accordingly, no equity components (performance rights) were offered to Non-Executive Directors in 2013.

Fees for Non-Executive Directors are not linked to the performance of the Company; however, to align directors' interests with shareholder interests, the directors may hold shares in the Company as governed by the Company's Securities Trading Policy.

C. SUMMARY OF CHANGES TO REMUNERATION POLICY

(i) Comments on Remuneration Report at Red Fork's most recent AGM

The Company's previous AGM was held on 23 November 2012. The Company received its first 'strike' (in excess of 25% 'no votes') against the adoption of its 2012 Remuneration Report.

The Company subsequently commenced a review of its remuneration policies with the assistance of its external remuneration consultants. Ernst and Young Australia were engaged to undertake a review of remuneration practices across the group. Villareal Associates were also engaged to provide specific advice in relation to the development of Short Term Incentive (STI) and Long Term Incentive (LTI) plans with focus of aligning the plans with market practices that reflect Red Fork's identified comparator peer group , being comparably-sized US operated oil and gas exploration and production companies.

The review also included discussions and meetings with stakeholders and shareholder groups and was completed in June 2013. As a result of this feedback, a number of enhancements have been made to Red Fork's remuneration practices which are detailed below:

- **Enhanced governance:** Restructuring the Remuneration and Nomination Committee by increasing the number of independent Non-Executives to the Board. The Remuneration Committee composition is now compliant with ASX Corporate Governance Council's best practices and recommendations;
- **Aligned remuneration:** The Remuneration Committee conducted a full review of performance criteria and conditions associated with the short term and long term incentive plans to ensure that Red Fork's proposed STI and LTI plans are aligned with current best practices. In particular, incentives were designed which align with market practice that reflect Red Fork's identified comparator peer group, being comparably sized US operated oil and gas exploration and production companies. The changes associated with the STI plan were implemented in 2013; those pertaining to the LTI plan will take time to be implemented and approved by shareholders and will be integrated into the remuneration arrangements for 2014 and beyond;

- **Review of performance based equity award for NEDs:** A review of the policy relating to Non-Executive Director participation in performance-linked equity schemes was conducted. Red Fork understands that such grants are not in line with Australian investor guidelines or current best practice. Consequently, the Company's current policy is not to grant equity based compensation to Non-Executive Directors until such time as this practice is better understood and accepted;
- **Stakeholder liaison:** The Remuneration Committee initiated engagement with key shareholder groups to discuss the Board's response to the first "strike" and how the Board was addressing the issues and concerns raised by proxy advisors on the 2012 Remuneration Report;
- **Improved disclosure:** In this Remuneration Report, more detailed disclosures have been included for the payment of STIs to senior executives and the evaluation process undertaken when assessing these awards; and, in the introduction to this Remuneration Report, the Board has provided explanation for the strategies supporting the levels of remuneration paid to senior executives and in particular the US based executives.

Further details of the changes to the STI and LTI's applicable to the executives are detailed in Section E.2(i) and E.2(ii) below.

D. REMUNERATION GOVERNANCE INCLUDING USE OF REMUNERATION CONSULTANTS

(i) The role of the Board

The Board is responsible for ensuring Red Fork's remuneration strategy is aligned with Company performance and shareholder interests and is equitable for participants. The Board has adopted the following principles in its remuneration framework:

- providing appropriate, fair and consistent compensation to employees for the services they provide to the Company;
- ensuring that total remuneration is competitive by market standards to attract and retain employees with the skills and talents required to achieve the Company's goals; and
- motivating employees to pursue and achieve the long term growth and success of the Company.

To assist with the above, the Board has established a Remuneration and Nomination Committee to aid in creating a strong linkage between company performance and executive remuneration. Key changes were made by the Board to the Committee composition to ensure its members retained the independence requirements as recommended by Corporate Governance Best Practice.

(ii) The role of Remuneration and Nomination Committee

The Remuneration and Nomination Committee ("RNC") is responsible for reviewing and making recommendations to the Board on nomination and remuneration matters. The members of the Committee, comprising only Non-Executive Directors, are:

- Bill Warnock (Chairman of the RNC); Appointed 17 January 2013
- Larry Edwards; Appointed 1 May 2013; and
- Michael Fry

The RNC is governed by its Charter which was developed in line with ASX Corporate Governance Principles and Recommendations. Full details of the roles and responsibilities of the Remuneration and Nomination Committee are detailed in the Corporate Governance Statement on Page 41 of this Annual Report and can be accessed on the Company's website.

(iii) Appointment of Remuneration Consultants

In accordance with Section 206K Corporations Act, the Remuneration and Nomination Committee approved the engagement of Ernst and Young and Villareal Associates as the Company's remuneration consultants in relation to assisting with the review of the remuneration framework and the design and implementation of the remuneration structure for its Directors and Executives. Villareal Associates also provided market data and reports on executive and non-executive pay to the Chairman of the Committee.

The engagement of the remuneration consultants was based on a documented set of protocols to be followed by each of the consultants, members of the Remuneration and Nomination Committee and KMPs for the way in which remuneration data and guidance would be developed and delivered to the Board.

These arrangements were implemented to ensure the remuneration consultants would be able to carry out their work, including information capture and guidance, free from undue influence by KMPs about whom the information may relate.

The reports presented by the remuneration consultants were provided directly to the Remuneration and Nominations Committee Chairman.

The Board undertook its own enquiries and review of the processes and procedures followed by the remuneration consultants during the course of their assignments and is satisfied that its remuneration information and guidance was provided free of undue influence. These inquiries included arrangements under which the remuneration consultants were required to provide the Board with a summary of the way in which they carried out their work, details of their interactions with KMPs in relation to the assignment, and other services provided.

E. RED FORK'S REMUNERATION POLICY FOR FUTURE REPORTING PERIODS

E.1 Remuneration Policy Framework

The work of the Company and its remuneration consultants has culminated in a revised Remuneration Policy and Short Term and Long Term Incentive Plans which have either been implemented or are pending implementation. The details are as follows:

The key objective of Red Fork's remuneration policy is to be a key enabler for the Company in achieving its strategic goal of continuing to build a successful oil and gas exploration and production company. It has been designed to reward executives and employees fairly and responsibly in accordance with the regional and international market in which the Company operates, and to ensure that Red Fork:

- Provides competitive rewards that attract, retain and motivate executives and employees of the highest calibre, who can successfully deliver, particularly as the Company moves through the current phase of rapidly increased development and production ;
- Sets demanding levels of expected performance that have a clear linkage to an executive's remuneration;
- Benchmarks remuneration against appropriate comparator peer groups to make the Company competitive in a tight skilled human resources market, through an offering of both short and long term incentives and competitive base salaries;
- Provides a level of remuneration structure to reflect each executive's respective duties and responsibilities;
- Aligns executive incentive rewards with the creation of value for shareholders;
- Complies with legal requirements and appropriate standards of governance.

E.2 Policy for and Components of Executive Remuneration For Future Reporting Periods

The Company maintains its existing performance management procedures for Executive Directors and Senior Executives ("Executives") by having each executive undertake an annual performance appraisal with the CEO based on individual and business performance expectations and other circumstances. The CEO's performance is in turn reviewed by the Remuneration and Nomination Committee.

Executive Remuneration is to consist of the following key elements:

- Fixed remuneration or base salaries; and
- Variable remuneration, being the "at risk" component related to performance comprising;

i) Short Term Incentives (STI) ;

ii) Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration is established for each executive by the Remuneration and Nomination Committee with reference to market comparator data and the scope of each of the individual executive's role, and approved by the Board in accordance with the Remuneration Policy and the provisions of the STI and LTI Plans.

These elements are both described in detail below.

Remuneration mix

The target allocation of remuneration between fixed remuneration and performance based variable remuneration for Red Fork executives is detailed in Table 3 below:

Table 3: Proportion of fixed and variable annual award as a % of executive total remuneration.

	Fixed Annual Reward	Variable Annual Reward	
	Not at Risk	At Risk	
Position		STI	LTI
CEO	25 - 27%	7 - 17%	57 - 66%
Executives	34 - 43%	11 - 17%	41 – 54%

The percentages were calculated based upon with the CEO and Executive's "target" remuneration incentives achievable for the new STI and LTI schemes proposed as a proportion of their current salary levels. The amounts which vest over the three year period have been accounted for up front for the purposes of the above calculations.

Note due to the STI being implemented for the 2013 financial year and the LTI due to commence on 1 January 2014, these targets will apply to future periods.

Short Term Incentive Plan

The STI plan which commenced on 1 January 2013 is based on annual Scorecard metrics and financial performance considerations. The Remuneration and Nomination Committee has selected a 'Scorecard' of performance metrics for the STI plan which were approved by the Board.

Determining STI opportunity

The STI provides for cash payments to reward staff and executives for meeting or exceeding the established financial and non-financial performance targets. The total incentive award opportunity available to each plan participant is expressed through an Incentive Opportunity Range. The Incentive Opportunity Ranges offer maximum and minimum award opportunities as a proportion of base salary, depending upon each participant's responsibility level. The maximum incentive opportunity range for KMP for the 2013 year is between 80% to 125% of base salary.

Performance Assessment

At the end of the year performance will be assessed against the Scorecard of performance factors. A major portion of each incentive award will be paid based on overall Company performance in relation to the Scorecard, with 80% of the total incentive percentage based on these Company performance objectives and 20% based on financial performance.

Company Performance Factors

These can vary on an annual basis depending upon the Company's key performance objectives during the relevant STI period. The current Scorecard factors for Company performance are based upon four measures weighted in accordance with the importance the Company places on the key factors in affecting economic performance:

- Drilling rates (30%)
- Reserve growth; (30%)
- Production growth (30%) and
- Operating expenditure control (10%)

These Scorecard measures represent key drivers in the Company's performance and align with current budgetary objectives and, consequently, impact shareholder value.

Financial Performance Factor

This performance factor is independent of the Company Scorecard performance assessment and is based on financial factors considered important by the Remuneration Committee and Board of Directors.

The award amounts for this factor can be up to 20% of the maximum of each participant's Incentive Opportunity Ranges. Any such awards will be based on the recommendation of the CEO and approval by the Remuneration Committee and the Board of Directors.

Trigger Factor

For the STI plan, an additional "trigger factor" will be applied by the Remuneration Committee. A threshold performance level much be achieved on this factor or no incentive awards will be paid for Scorecard performance. This trigger factor for 2013 relates to specified number of gross operated producing wells which must be in place before any Scorecard awards can be paid.

STI Governance

The Board retains discretion to withhold the award of any STI payments depending on the Company's closing cash position and its ability to comply with its commitments for the following year after bonuses are paid. The Remuneration Committee has the discretion to withhold payment to any participant whose performance during the year is not considered at least satisfactory.

Current and Future STI Comparisons Summary

A summary of the key changes and material differences between the current and future STI schemes are detailed in Table 4 below:

Table 4: Current and Future STI Comparisons

Terms and Conditions	STI Scheme During The Reporting Period	STI Scheme For Future Reporting Periods
Plan Eligibility	All employees	Professionals, Managers and Executives
Performance Conditions and weightings	Individual performance 100%	80% specific performance factors in the Scorecard and 20% financial performance
Over-riding factor	Nil	Trigger Factor(s) determined by the Remuneration Committee and approved by the Board
Change of control provisions	Not specified	If payment is ultimately due and, as a result of a change of control, the participant's employment with Red Fork is terminated or the plan is discontinued prior to the end of the plan year, the participant will receive a pro rata award at the end of the year for the portion of the year they were actively employed.

(ii) Performance Linked Remuneration – Long Term Incentives (LTI)

Proposed Future LTI Plan

Beginning 1 January 2014, Red Fork intends to implement a new LTI plan, the purpose of which is to focus performance on long term shareholder value over a three year period. This plan will provide "at risk" incentives based on longer term company performance. The vesting will be linked to total shareholder return (TSR).

The LTI links to Red Fork's key objectives by aligning long term "at risk" incentive rewards with expectations and outcomes that match shareholder objectives and interests by:

- measuring performance against shareholder return;
- benchmarking shareholder return against those returns of a peer group of comparator companies;
- assessing performance over a longer period of time (three years); and
- providing the opportunity for equity-based rewards as LTIs.

Long term restricted stock awards will be made to participants as a multiple of base salary dependent up on their respective responsibility levels. The restricted stock awards will be made at the beginning of the performance period (with the first commencing January 2014). The number of LTI grants awarded to each individual under the LTI plan will be calculated by dividing the dollar value of the award by the average price of the stock for the 15 trading days at the beginning of the year the restricted stock grant is made.

Vesting conditions for LTI securities

At the end of the three year performance period, Total Shareholder Return (TSR) for Red Fork and its peer group will be measured and ranked. Performance rights will vest and be exercisable if a threshold TSR performance is achieved in comparison with the peer group TSR.

There will be a threshold and maximum vesting range with vesting occurring as follows:

TSR Ranking Range Compared to Peer Group	Vesting Level (%)
Below 50th percentile	0%
50th percentile	50%
60th percentile	60%
75th percentile	75%
90th percentile and above	100%

Upon achievement of relative TSR performance percentiles, restricted stock awards will become vested. If the 50th percentile performance target is not met, there will be no vesting and no shares will be issued to plan participants.

Relative Total Shareholder Return was chosen in order to ensure that Red Fork's executives and participant employee's remuneration is aligned with the Company's performance in relation to the performance of peer companies.

In the event a stock distribution is ultimately payable and a participant's employment with Red Fork is terminated prior to the end of the term of the plan due to retirement, total and permanent disability, or death, this participant, or his dependents, will receive a pro-rata distribution at the completion of the term of the plan, based on the portion of the three-year term that the participant was actively employed. A participant whose employment is terminated, voluntarily or involuntarily, prior to the actual lapsing of restrictions on the stock and distribution of shares, will cease to be a participant in the plan and will forfeit any right to receive an award, even if the term of the plan has been completed at the time of the participant's termination.

Performance Rights granted under the plan will carry no rights to dividends or voting rights.

In the event of a change in control of the company's Board of Directors and the subsequent termination of the LTI plan, the participant would receive a pro-rata distribution at the completion of the term of the plan, based on the portion of the three-year term that the participant was actively employed or that the plan was in place. Change in control for the purpose of the LTI plan would mean a change in the composition of the Board such that the original members at the beginning of the term of the plan represent less than 50% of the Directors after the change.

Peer Comparator Group

The Company has selected 17 companies for the LTI scheme commencing 1 January 2014 are as follows:

1. Abraxas Petroleum Corporation
2. Antares Energy LTD (Australia)
3. Bonanza Creek Energy, Inc.
4. Callon Petroleum Company
5. Constellation Energy Partners, LLC
6. Crimson Exploration, Inc.
7. Dune Energy, Inc.
8. Goodrich Petroleum Corporation
9. Lone Star Resources (Australia)
10. Matador Resources Company
11. Mid-Con Energy Partners, LP
12. Panhandle Oil and Gas, Inc.
13. PetroQuest Energy, Inc.
14. PostRock Energy Corporation
15. Rex Energy Corporation
16. Sundance Energy, LTD (Australia)
17. Warren Resources, Inc.

Peer comparator group is a mix of US and Australian Securities Exchange listed and US operated oil and gas exploration and production companies, with a weighting towards those operating in the US market which more closely reflect the operations of Red Fork Energy.

Prohibition of hedging LTI grants

The Company has a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements is also prohibited by law.

LTI Comparisons Summary For Current and Future Reporting Periods

A summary of the key changes and material differences between the current and proposed LTI scheme are detailed in Table 5 below:

Table 5: Current and Future LTI Comparisons

Terms and Conditions	LTI Scheme During The Reporting Period	LTI Scheme For Future Reporting Periods
Plan Eligibility	Non-Executive directors previously participated, now ceased under existing performance rights plan	Professionals, Managers, and Executives
Performance Conditions	Revenue Based Targets and service period	Relative Total Shareholder Return over a three-year measurement period
Frequency of Allocation of Grant	One off grant as determined appropriate by the Board	Annually
Performance Period	Vests upon later of achievement of performance milestone, and between 1 to 3 years' service period for employee participants and 3 months following milestone achievement for directors.	3 years from award date
Change of control provisions	Unvested performance rights vest, although the Board has absolute discretion.	If payment is ultimately due and, as a result of a change of control, a participant's employment with Red Fork is terminated or the plan is discontinued, prior to the end of the term of the plan, the participants will receive a pro rata distribution at the end of the term , based upon the proportion of the 3 year term they were actively employed.

E.3 Non-Executive Directors' Remuneration

The remuneration policy for Non-Executive directors will remain consistent with that disclosed for the current year.

F. RELATIONSHIP BETWEEN 2013 COMPANY PERFORMANCE AND REMUNERATION OUTCOMES

The Company's STI Plan applicable to the reporting period was effective from 1 January 2012 to 31 December 2012, and payments under the plan were made during the current financial year. STI payments were granted annually to staff, executives and executive directors depending on individual performance over the specified period. The Company notes that current best practice is to align the STI policy to company performance outcomes rather than individual performance outcomes. Accordingly the Company has adjusted its STI policy which was implemented effective 1 January 2013 to reflect this change in compensation philosophy.

Awards issued under the Performance Rights Plan which was effective during the year were conditional upon both the achievement of revenue based targets and period of service, and vest in equal proportions from 1 to 3 years from the grant date provided the performance conditions are achieved. Revenue based targets were considered to be an appropriate measure of the Company's performance given the stage of Red Fork's development.

The Company has recognised that current best practice for LTI plans is to incorporate a broader based target measured against relative shareholder return.

The tables below set out summary information about the company's earnings and other performance measures for the past five years and 30 June 2013:

	2013	2012	2011	2010	2009
Revenue ($'mil.)	18.2	6.2	3.0	2.6	0.8
Gross Profit ($mil.)	11.3	2.7	1.6	1.1	0.5
Reserves PV10 (P1) ($m)	196*	61	72	90	20
Reserves PV10 (P1+P2+P3) ($m)	380*	217	157	204	189

*Refer Competent Persons Statement Page 19.

G. DETAILS OF REMUNERATION

Key Changes in the Remuneration paid to KMP's were as follows:

- Kevin Humphrey (CFO) was provided with a base salary remuneration increase during the financial year from $247,500 in 2012 to $260,000 in 2013, in recognition of his increased role and responsibility brought about by the increase in the size and scale of the business during the period. Factors affecting the change include responsibility for securing and managing the credit finance facility, change in the scale and complexity of the accounting function brought about by the increased operations and drilling activity, and responsibility for overseeing all US based human resource matters whilst managing the growth in the employment base from 23 to 31 full time employees.
- Increase in the non-executive Chairman fees from $90,000 to $130,000 per annum in total based upon a review of fees paid to the Chairman of peer comparator companies during the period, the increased participation of the Chairman as a consequence of the activity of the Remuneration and Nomination Committee and Audit Committee during the period, and increased time devoted to the role, including the number of trips to the US operations, as a consequence of the growth in the size and complexity of the business during the year.

Table 6 outlines the remuneration of directors and Key Management Personnel for years ended 30 June 2013 and 2012.

Table 6: Key Management Personnel Remuneration

	Primary			Equity Compensation	Post-employment	TOTAL	%
	Base Salary and Fees US$	Bonus (viii) US$	Non Monetary Benefits US$	Value of Performance Rights (ix) US$	Superannuation Contributions US$	US$	Percentage Performance Related
EXECUTIVE DIRECTORS							
David Prentice (i)							
2013	428,455	63,660	30,592	709,447	17,494	1,249,648	61.8
2012	427,961	-	14,607	440,063	15,681	898,312	49.0
Bruce Miller							
2013	263,989	30,240	20,476	709,447	-	1,024,152	72.2
2012	263,682	15,095	3,332	440,063	-	722,172	63.0
Perry Gilstrap (iii)							
2013	623,349	45,266	11,124	177,953	-	857,692	26.0
2012	363,857	45,200	10,123	440,063	-	859,243	56.5
NON-EXECUTIVE DIRECTORS							
Michael Fry (ii)							
2013	112,890	-	-	-	-	112,890	-
2012	92,855	-	-	-	-	92,855	-
Steve Miller (iv)							
2013	24,476	-	-	106,772	-	131,248	81.4
2012	62,082	-	-	264,038	-	326,120	80.1
William Warnock (v)							
2013	59,167	-	3,505	-	-	62,672	-
2012	-	-	-	-	-	-	-
Larry Edwards (vi)							
2013	19,167	-	-	-	-	19,167	-
2012	-	-	-	-	-	-	-
EXECUTIVES							
Kevin Humphrey							
2013	290,514	37,125	14,882	217,750	-	560,271	45.5
2012	206,250	-	2,465	-	-	208,715	-
Chris Girouard							
2013	284,005	25,313	20,115	217,750	-	547,183	44.4
2012	56,250	-	3,332	-	-	59,582	-
Lee Francis (vii)							
2013	126,350	-	-	1,913	-	128,263	1.5
2012	-	-	-	-	-	-	-
Total 2013	**2,232,362**	**201,604**	**100,694**	**2,141,032**	**17,494**	**4,693,186**	
Total 2012	**1,472,937**	**60,295**	**33,859**	**1,584,227**	**15,681**	**3,166,999**	

Notes:

(i) Executive Services Agreement renewed on 1 July 2012. Refer to Note 18(f) for details.

(ii) Revised salary package approved by Remuneration Committee in May 2013. Refer to Section B.

(iii) Retired on 18 February 2013. Mr Gilstrap was paid US$400,000 severance payment on 18 February 2013 in recognition of his service to the Company over the previous 7 years. In addition to the fees shown in the above table, Gas Lamp Consulting which is controlled by Jeff Gilstrap (Perry Gilstrap's son), provided information technology consulting services to the US subsidiaries and received fees totalled US$45,234 during the financial year. These service were provided at commercial rates.

(iv) Resigned on 19 November 2012. In addition to the fees shown in the above table, Mr Miller has an interest in Orion and Mid America Field Services, which received fees totalling US$556,242 from the US subsidiaries for engineering and drilling supervision services on normal commercial terms. Mr Miller also received consultation fees for a total of US$36,848 following his resignation as Non-Executive Director.

(v) Appointed as Non-Executive Director on 17 January 2013.

(vi) Appointed as Non-Executive Director on 1 May 2013.

(vii) Appointed as Executive Vice President of Operations on 18 January 2013. Cimmaron Engineering Inc., a company Mr Francis has an interest in, receives fees totalled US$51,871 from Red Fork Energy Limited for engineering services provided on normal commercial terms. Mr Lee Francis was a consultant for the US subsidiaries (provision of engineering services via Cimmaron Engineering Inc.) prior to his appointment as Executive Vice President of Operations on 18 January 2013.

(viii) Bonuses are based on employee performances. A bonus of up to 15% of an employee's salary for 2012 can be paid under the Company's Short-Term Incentives as disclosed in the Remuneration Report.

(ix) In accordance with AASB 2, performance rights issued to Directors and Executives have been valued based on factors such as the underlying share price, the expected vesting date, vesting probability in achieving the specified revenue hurdles at the reporting date. 3,600,000 Performance Rights A issued to the Directors were converted to fully paid ordinary shares on 1 May 2013. A value for the unconverted performance rights is also included in the total equity based remuneration. It should be noted that the Directors and Executives have not received this amount and these performance rights may have no actual financial value unless the required performance hurdles are achieved. For details of inputs to the valuation, refer Note 27.

Severance Payments

Mr Perry Gilstrap retired from the Board of Red Fork Energy and its associated subsidiary companies effective February 18, 2013. Mr Gilstrap was paid a severance payment of US$400,000. Mr Gilstrap had served with the Company for seven years and was instrumental in building the US operating subsidiary. His valuable knowledge and experience is retained in a consulting role for twelve months, payable at $33,333 per month.

H. SHARE-BASED REMUNERATION

(i) Performance rights in existence during the financial year

Details of vesting profiles of the performance rights granted as remuneration to Key Management Personnel of the Group are set out below:

Performance rights in existence during the financial year

Key Management Personnel	Grant date	No. of performance rights	% Vested In year	% Forfeited In year	Expiry date	Fair value per performance right at grant date (AUD)
David Prentice	30/11/2011	3,000,000	33%	-	30/04/2016	$0.620
Perry Gilstrap	30/11/2011	3,000,000	33%	66%	30/04/2016	$0.620
Steve Miller	30/11/2011	600,000	100%	-	30/04/2016	$0.620
Bruce Miller	30/11/2011	3,000,000	33%	-	30/04/2016	$0.620
Kevin Humphrey	21/09/2012	1,570,000	-	-	30/04/2016	$0.735
Chris Girouard	21/09/2012	1,570,000	-	-	30/04/2016	$0.735
Lee Francis	19/06/2013	380,000	-	-	30/04/2016	$0.530

When exercisable each performance right is converted into one ordinary share of Red Fork Energy Limited.

For details on the vesting conditions of each performance right, valuation of the performance rights, including models and assumptions used, please refer to Note 18 of the Financial Report. There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date.

(ii) Performance rights issued, exercised or cancelled during the financial year

The number of performance rights in the Company held during the financial year by each Director of Red Fork Energy Limited and other Key Management Personnel, including their personally related parties, are set out below:

Performance rights issued, exercised or cancelled during the financial year

2013	Balance at 01.07.12	Granted as Remuneration #	On Conversion of Rights	Cancelled	Balance at 30.06.13	Vested and Convertible
DIRECTORS						
David Prentice	3,000,000	-	(1,000,000)	-	2,000,000	-
Michael Fry	-	-	-	-	-	-
Bruce Miller	3,000,000	-	(1,000,000)	-	2,000,000	-
Perry Gilstrap	3,000,000	-	-	(2,000,000)	1,000,000*	1,000,000
Steve Miller	600,000	-	-	-	600,000^	600,000
William Warnock	-	-	-	-	-	-
Larry Edwards	-	-	-	-	-	-
EXECUTIVES						
Kevin Humphrey	-	1,570,000	-	-	1,570,000	-
Chris Girouard	-	1,570,000	-	-	1,570,000	-
Lee Francis	-	380,000	-	-	380,000	-
	9,600,000	**3,520,000**	**(2,000,000)**	**(2,000,000)**	**9,120,000**	**1,600,000**

Issued under the PRP, approved by shareholders at the Annual General Meeting on 30 November 2011. For full details of the terms and conditions refer Note 18 (e).

* As at the date of resignation, 18 February 2013

^ As at the date of resignation, 19 November 2012

Directors' Report *continued*

(iii) Shares held by Key Management Personnel

The number of shares in the Company held during the financial year by each Director of Red Fork Energy Limited and other Key Management Personnel, including their personally related parties, are set out below.

Shares held by Key Management Personnel

2013	Balance at 01.07.12	Shares Issued	Performance Rights Exercised	Bought & (Sold)	Balance at 30.06.13
DIRECTORS					
David Prentice	1,747,441	-	1,000,000	-	2,747,441
Michael Fry	1,894,774	-	-	-	1,894,774
Bruce Miller	582,746	-	1,000,000	-	1,582,746
Perry Gilstrap	700,000	-	-	-	700,000*
Steve Miller	-	-	-	-	-^
William Warnock	-	-	-	-	-
Larry Edwards	-	-	-	-	-
EXECUTIVES					
Kevin Humphrey	-	-	-	-	-
Chris Girouard	60,000	-	-		60,000
Lee Francis	-	-	-	-	-
	4,984,961	**-**	**2,000,000**	**-**	**6,984,961**

* As at the date of resignation, 18 February 2013
^ As at the date of resignation, 19 November 2012

I. SERVICE AGREEMENTS

Each KMP executive has a contract of employment. For further details on contracts of employment, refer to Note 18 of the Financial Report. Table 7 below contains a summary of the key contractual provisions of the contracts of employment for the KMP executives:

Table 7: Key Management Personnel Employment Contracts

Name	Employing Company	Contract Duration	Conditions	Termination Notice period by Company	Termination notice Period by Executive
David Prentice	Red Fork Energy Ltd	3 years	Executed on 1 July 2012, to serve as the Company's Chief Executive Officer / Managing Director at A$430,000 per annum inclusive of superannuation	1 month with cause. Without cause, 3 months notice period and 3 months pay, or the Company may elect to pay 6 month salary and dispense with notice period.	3 months notice period
Chris Girouard	Red Fork Energy Ltd	3 Years	Effective 1 February 2013, to serve as the Company's President of Red Fork USA Investments, Inc. and Chief Operating Officer on a salary of US$305,000 on a total employment cost basis.	1 month with cause. Without cause, 3 months notice period and 3 months pay, or the Company may elect to pay 6 month salary and dispense with notice period.	3 months
Kevin Humphrey	Red Fork Energy Ltd	Continues until terminated	Executed 28 December 2012, to serve as the Company's Chief Financial Officer on a salary of US$280,000 on a total employment cost basis.	1 month with cause or 3 months without cause	3 months
Lee Francis	Red Fork USA Investments Inc	N/A	Salary of US$280,000 effective 1 January 2013.	Not eligible for a termination benefit	-
Bruce Miller	Red Fork Energy Ltd	3 years	Executed 17 December 2012, to serve as the Company's Executive Director - Resources on a salary of US$264,900 on a total employment cost basis	1 month with cause. Without cause, 3 months notice period and 3 months pay, or the Company may elect to pay 6 month salary and dispense with notice period.	3 months

This report is made in accordance with a resolution of the Directors.

David Prentice
Chief Executive Officer

30 September 2013

Auditor's Independence Declaration

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Red Fork Energy Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Red Fork Energy Limited and the entities it controlled during the year.

Perth, Western Australia	**M R W Ohm**
30 September 2013	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

Corporate Governance

The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

CORPORATE GOVERNANCE STATEMENT

The Board and management recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a robust system of corporate governance. The Company believes that the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

In accordance with ASX Listing Rule 4.10.3, the corporate governance statement reports on Red Fork Energy Limited's corporate governance practices by reference to the current ASX Corporate Governance Council's (CGC) Principles and Recommendations and the extent to which it has followed the CGC's published guidelines in relation to corporate governance. This statement reflects Red Fork Energy's corporate governance system in place during the 2013 financial year and as at the date of this report. Red Fork's individual Corporate Governance Policies and procedures are available on the Company's website: www.redforkenergy.com.au.

A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Principle 1: Lay Solid Foundations for Management and Oversight

1.1 Board Charter

The day-to-day management of the Company is the responsibility of the Chief Executive Officer ("CEO"), as delegated by the Board. The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management, including the Chairman, the Chief Executive Officer, Non-Executive Directors and the Company Secretary.

The central role of the Board is to set the Company's strategic direction, to select and appoint a CEO and to oversee the Company's management and business activities. In addition to the matters required by law to be approved by the Board, the following powers are also reserved for board decision:

- defining and setting the business objectives and monitoring performance and achievement of those objectives;
- monitoring and approving financial performance and budgets;
- as appropriate, the appointment or removal of the CEO, approving other key executive appointments and plans for executive succession;
- monitoring risk and compliance with legal, regulatory requirements, taking responsibility for risk management processes;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings and the granting of security over the undertaking of the Company or any of its assets;
- authorising expenditure levels and delegating authority levels;
- ensuring appropriate reporting systems and internal controls are in place and functioning appropriately;
- approving policies of company-wide or general application;
- ensuring that shareholders and the financial market as a whole are fully informed of all material developments in relation to the Company and its operations;
- reviewing and monitoring the performance of its Committees; and
- reporting to and being accountable to shareholders.

On appointment, non-executive directors receive formal letters of service engagement and executive directors are appointed pursuant to employment agreements. These documents detail the terms and conditions of their appointment to the Board of Red Fork Energy. The procedures for appointment of Board members are governed by the Remuneration and Nomination Committee Charter, of which a copy is available on the Company's website.

The Board Charter sets a minimum number of Board meetings each year and provides for the establishment of its Board Committees being, the Audit and Risk Committee, and the Remuneration and Nomination Committee. The Charter also provides minimum standards of ethical conduct expected of the Directors, CEO and other key executives. These are further elaborated in the

Company's Code of Business Ethics and Conduct to guide the Directors, and other key executives in fulfilling their roles.

Principle 2: Structure the Board to Add Value

2.1 Composition of the Board

The Board currently comprises of five (5) members, being three (3) non-executive directors including the Chairman and two (2) executive directors. The Directors consider that collectively they offer a balance of relevant skills, experience and expertise to fulfill their obligations to the Company, its shareholders and other stakeholders. Details of their skills, experience and expertise and the period of office held by each Director have been included in the Directors' Report. The number of board meetings and the attendance of the Directors are also set out in the Directors' Report.

The non-executive directors collectively contribute operational, international experience, an understanding of the industry in which Red Fork operates, knowledge of financial markets and an understanding of the Corporate Governance aspects of the Company. The CEO and the Chief Operations Officer ("COO") bring an additional perspective to the Board through a thorough understanding of the business.

The roles of the Chairman and the CEO are not exercised by the same individual. The role of CEO is carried out by Executive Director, Mr David Prentice and Mr Michael Fry is the Chairman of Red Fork Energy. The Board Charter summarises the roles and responsibilities of the Chairman, Mr Michael Fry, the CEO, Mr David Prentice and the Company Secretary, Ms Suzie Foreman.

The Chairman of the Board, Mr Michael Fry is an independent, Non-executive Director and a resident Australian citizen.

The Chairman is responsible for leadership and effective performance of the Board and for maintenance of the relations between Directors and management.

2.2 Independence of Non-executive Directors and the Chairman of the Board

The Company expects its Directors to bring independent view and judgment to the Board's deliberations.

In assessing a Director's independence, the Board considers the criteria for independence set out in Recommendation 2.1, including relationships affecting their independent status, and materiality of that relationship, any other information or circumstances that the Board considers to be relevant. The materiality test is subject to the nature of the relationship and the circumstances of the Director and it is considered from the perspective of the Company's, the Director's and the person or entity with which the Director has a relationship. The Board reviews the independence of directors before they are appointed, on an annual basis, and at any other time where circumstances of a director change such as to require assessment.

The Board has reviewed the independence of each of the Directors in office at the date of this report and has determined that three of the five Directors are independent. The Directors not considered independent are Mr David Prentice and Mr Bruce Miller as they are both Executive Directors and members of Red Fork's management.

Mr Fry holds 1,894,774 fully paid ordinary shares in the Company. Mr Fry is also the Non-executive Chairman of ASX Listed Companies Norwest Energy NL ("NWE") and Challenger Energy Limited ("CEL"). The Board considered that neither his Chairmanships nor his shareholdings, (as he is not a substantial shareholder in Red Fork Energy as defined by the Corporations Act,) interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Fry commits the necessary time to discharge his role effectively.

The Company therefore complies with Recommendation 2.2 in that the Chairman of the Board, Mr Fry is an independent Director.

Mr Warnock and Mr Edwards were nominated to the Board during the year and appointed as independent Directors.

Mr Edwards is a non-management director of TSX Listed New Flier Industries Inc. (NFI). The Board is satisfied that this position would not interfere with Mr Edward's ability to discharge his duties to the Company.

The Company therefore complies with Recommendation 2.1 that the majority of its Board members are independent Directors.

The independent status of Directors standing for election or re-election is identified in the notice of Annual General Meeting (AGM). If the Board's assessment of a Director's independence changes, the change is disclosed to the market.

2.3 Nomination Committee

The Nomination Committee amalgamated with the existing Remuneration Committee in the current financial year. The responsibilities of the combined Remuneration and Nomination Committee include evaluation of the performance of the Board and individual Directors, reviewing overall remuneration strategies, regularly reviewing Board composition to ensure it has the right combination of skills, diversity and expertise for conducting the Company's activities effectively and identifying specific individuals for nomination as Directors and reporting its conclusions to the Board. Where the Committee identifies any existing or projected competency gaps, it recommends a succession plan to the Board that addresses those gaps. The Board does not currently consider that there are any existing or projected competency gaps. The Committee's functions and responsibilities are detailed in the Remuneration and Nomination Committee Charter, of which a copy is available on the Company's website.

Key activities undertaken by the Remuneration and Nomination Committee during the year included:

- reviewing the size and composition of the Board;
- making recommendation to the board for the appointment of Non-executives Directors;
- reviewing the Company's remuneration policies and practices, approving the use of independent remuneration consultants to provide recommendations in respect of Red Fork's key management personnel remuneration and considering their advice;
- review of corporate governance aspects of remuneration matters and engagement with key stakeholders in respect of proposed remuneration practices;
- reviewing and making recommendations to the Board on:
  - the new short term and long term incentive plans for all executives and key management personnel;
  - remuneration for Non-executive Directors;
  - base remuneration payable to the CEO, Executive Director, President, Vice President and CFO; and
  - the annual Remuneration Report;
- making recommendations on measurable objectives with respect to gender diversity and monitoring the progress against these objectives.

2.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's operational market, in particular senior oil and gas technical personnel with exploration and production relevant experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and director-level business experience.

In its evaluation of candidates for the Board, the Committee will have regard to normally accepted nomination criteria, including:

- honesty and integrity;
- the ability to exercise sound business judgement;
- appropriate business experience and professional qualifications;
- absence of conflicts of interest or other legal impediments to serving on the Board;
- willingness to devote the required time; and
- the ability to attend Board and Committee meetings.

The Board is responsible for implementing a program to identify, assess and enhance Director competencies and puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board. The Board may engage an independent recruitment firm to undertake a search for suitable candidates. The Company's Director Selection Procedure is governed by the Remuneration and Nomination Committee Charter located on its website.

2.5 Board renewal and succession planning

The appointment of Directors is governed by the Company's Constitution and the Board Charter. The Remuneration and Nomination Committee is responsible for the selection process of candidates for the Board and Executives and assists the Board with succession planning. The Board as a whole is responsible for appointing the new Directors upon nomination and recommendation by the Committee.

In accordance with the Constitution of the Company, no director except a Managing Director (CEO) shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for election. At least one director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM. The Board's support for a Director's re-election is not automatic and is subject to satisfactory Director performance based on the Committee's review of the Directors' performance each year. The Company has not adopted a policy in relation to the retirement or tenure of Directors.

Due to related party business interests affecting Mr Steve Miller's independence, Mr Miller stood down from the Board effective 19 November 2012. During the year, the Board conducted its own search and also directly engaged executive recruitment specialists to identify suitable independent candidates to the Board. The search culminated in the appointment by the Board of Mr William Warnock as a Non-executive Director on 17 January 2013.

After 7 years serving with the Company Mr. Perry Gilstrap retired from the Board of Red Fork effective February 18, 2013. Mr Gilstrap's position as Head of US E&P Operations (COO) was taken over by Mr. Chris Girouard who was also appointed as President of Red Fork USA Investments, Inc. and. Mr Girouard was not appointed to the Board allowing the Company, to further maintain separation of the role of the Board from the executive management team.

On 1 May 2013, Mr Larry Edwards was appointed as an additional independent Non-executive Director to the Board. Mr Edwards brings to Red Fork a wealth of knowledge gained over 35 years holding senior executive positions in US listed and non-listed entities.

2.6 Evaluation of the performance of the Board, its Committees and individual Directors

The performance evaluation process of the Board and individual Directors are the responsibilities of the Remuneration and Nomination Committee. The Board has introduced short term and long term incentive plans that have associated Key Performance Indicators (KPIs) and require an annual performance assessment of Executives against those KPIs by the Remuneration and Nomination Committee. Formal performance reviews of each Executive are conducted in December each year. The Remuneration Report on Page 20 discloses the process for evaluating the performance of senior executives including the CEO.

The Board is charged with the responsibility of evaluating its Committees' performance in accordance with the Board Charter. The objective of this evaluation is to provide best practice corporate governance to the Company and to ensure proper discharge of Directors' obligations to its shareholders and stakeholders.

2.7 Induction and education

New Directors will receive an induction appropriate to their experience. This includes information on the Company's strategy, culture and values, key corporate and board policies, the rights and responsibilities of directors and the role of the Board and its Committees and meeting arrangements. New Directors are encouraged to partake in discussions with the CEO and senior executives and are provided with an option to visit Red Fork's principal operations.

When appointed to the Board, new Directors receive a comprehensive letter of appointment or employment agreements for Executive Directors, which sets out the Company's expectations including the time commitment required upon the acceptance of the position and the Board's expectations regarding their involvement in Board Committee work. A summary of duties, rights and responsibilities and a copy of all corporate governance material are also provided.

Directors are encouraged to participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate. The Directors are also regularly provided with documents, presentations and briefings and are also provided with information on industry related and governance matters and new developments which have the potential to affect the Company.

2.8 Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making on Board deliberations. Directors have direct access to members of the Company management and to Company information in the possession of management. The Board also has a policy under which individual Directors and Board Committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman. In the situation of a request by the Chairman, approval is required by a majority of Non-executive Directors.

2.9 Board Meetings

During the year ended 30 June 2013, the Board held ten (10) Board meetings.

In addition, site visits and a strategic planning session were held in conjunction with the June 2013 Board meeting. Details of Directors' attendance at Board meetings are set out in the table on page 16.

The Chairman, in conjunction with the CEO and the Company Secretary, sets the agenda for each meeting. Any Director may request matters be included on the agenda.

Typically at Board meetings the agenda will include:

- minutes of the previous meeting; and
- matters arising;
- table of registers of related parties and conflicts of interest;
- the COO's report and production data;
- the CFO's report and financial information;
- reports on major projects and current issues;
- specific business proposals;
- reports from the Chairs of the Committees on matters considered at Committee meetings; and
- Corporate and shareholder information.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider further information is necessary to support informed decision-making.

On an annual, or more regular basis where determined, the Board approves the overall objectives of business strategy, business plans, budgets and financial statements; and review of statutory obligations and, other responsibilities identified in the Board Charter.

The CFO and the Company Secretary attend meetings of the Board by invitation. Other members of senior management attend Board meetings when a matter under their area of responsibility is being considered or as otherwise requested by the Board.

At each scheduled Board meeting there is a session where Non-executive Directors can meet without a member of management present. This session is led by the Chairman.

The Company Secretary's particulars are set out in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that Governance matters are addressed. During the 2013 financial year, Suzie Foreman was the Company Secretary.

2.10 Committees of the Board

The Board has the ability under the Company's Constitution to delegate its powers and responsibilities to Committees of the Board. This allows the Directors to spend additional and more focused time on specific issues. The Board currently has two separate Committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Committee;
- Remuneration and Nomination Committee.

The Committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a Committee by the Board. Each Committee has a Charter, detailing its role, duties and membership requirements. The Committee Charters are reviewed regularly and updated as required.

Membership of the Committees is based on Directors' qualifications, skills and experience. Each separate Committee is comprised of:

- only Non-executive Directors;
- at least three members, the majority of whom are independent; and
- a Chairman appointed by the Board who is one of the independent Non-executive Directors.

The Board recognised the departure from ASX Corporate Governance Guidelines best practice in previous years in respect of the separate Committee composition. This was addressed during the year via direct changes to the Board and the Board is now in full compliance with respect to Committee composition and functionality.

The composition of each Committee and details of the attendance of members at meetings held during the year are set out in the Directors' Report on pages 16 and 17.

Minutes of the individual Committee meetings are provided to all Directors and the proceedings of each meeting are reported by the Chairman of the Committee at the next Board meeting.

Prior to the commencement of each year, the Committees now establish an annual agenda for meetings for the coming year with reference to the Committee Charters and other issues the Committee members or Board consider appropriate for consideration by the Committees. This provides a timeline and an agenda for the Committees to focus activities on during the year. The Board is satisfied that the Committees have performed effectively in relation to their Charters.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Red Fork considers that confidence in its integrity can only be achieved if its employees and executives conduct themselves ethically in all of their commercial dealings on the Company's behalf. The Company's Code of Business Ethics and Conduct (or the "Code of Conduct" or the "Code"), Share Trading Policy and Diversity Policy which apply to all Directors, officers, employees, consultants and contractors of the Company and its subsidiaries aim to promote and ensure a culture of high level ethical behavior and appropriate corporate practices.

3.1 Code of Conduct

The Company's Code of Conduct, the Code of Business Ethics and Conduct sets out Red Fork Energy's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards.

Under the Code, all Directors, officers and employees must, amongst other things:

- act honestly, diligently and in good faith at all times in fulfilling their respective functions, and in the best interests of the Company as a whole;
- not take advantage of their position for personal gain, or the gain of their associates; and
- report any actual or potential breaches of the law, the Code or the Company's other policies to the Audit and Risk Committee Chairperson.

The Code also covers matters such as responsibilities to shareholders, sound employment practices, confidentiality, privacy, conflicts of interest and the protection and proper use of Company assets.

The Board sets the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. It actively promotes and encourages ethical behavior and protection for those who report violations of the Code or other unlawful or unethical conduct in good faith. Failure to comply with the Code is a serious breach of Red Fork's policy and will be investigated. Breaches range from formal written warning to termination of employment.

Red Fork implemented a Whistleblower policy during the year. This move demonstrates the Company's ongoing commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical behavior, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistle Blower policy is to:

- assist in the detection of unacceptable conduct;
- assist in providing employees and contractors with a supportive working environment in which they can raise issues to a senior level which are of legitimate concern to the Company and themselves in the knowledge that they will be addressed;
- provide a confidential reporting mechanism for unacceptable conduct; and
- provide a protection mechanism for individuals who report unacceptable conduct in good faith.

The Whistleblower Policy is available on the Company's website.

3.2 Trading in Company Shares

Red Fork's Securities Trading Policy applies to all Directors, employees, contactors, consultants and advisors of Red Fork Energy and their associates (including spouses, children, family trusts and family companies) ("Restricted Persons"). The Policy provides a summary of the law on insider trading and other relevant laws and provides restrictions on dealing in Red Fork Energy securities.

This Policy is separate from and additional to the legal constraints imposed by the Common Law, the Corporations Act and ASX Listing Rules, however it is closely aligned with these policies and guidelines.

The Policy prohibits Restricted Persons from dealing in the Company's securities when they are in possession of inside information. It also includes restrictions on trading in "closed" periods which include specified periods prior to and following the announcement of annual and half year results, quarterly reporting and other designated "closed" periods that the Board consider relevant to enforce.

Executive Directors and executives participate in the Company's equity based incentive scheme. All Directors and employees are required to seek approval from the Chairman (or in the case of the Chairman, the CEO) and advise the Company Secretary before trading in Red Fork's securities or entering into any other financial arrangement in respect of the Company's securities during the trading windows. All US employees are required to notify the President of USA Operations before dealing in Company securities. The Board periodically reminds Directors, senior executives and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

The Board also periodically reminds Directors of their obligations to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met and advises all employees of the "closed" and "open" periods of trading via e-mail correspondence.

Any dealing in the Company's securities by Directors is notified to the ASX within five business days of the trade.

Red Fork has instituted prohibitions on Directors and senior executives from using derivatives or hedging arrangements that operate or are intended to operate to limit the economic risk of security holdings over unvested Company securities.

In addition to this, prohibitions contained in the Share Trading Policy and the Company's Remuneration Policy also prohibit Restricted Persons who participate in Red Fork's equity based incentive plans from entering into transactions which would have the effect of hedging. The Company's Remuneration Policy is disclosed in the Remuneration Report and is governed by the Remuneration and Nomination Committee Charter.

The Company will publicly disclose all derivatives or hedging arrangements over vested Red Fork Energy securities taken out by a Director of the Company.

The Company's Share Trading Policy is located on its website.

3.3 Conflicts of Interest

The Board has approved Director's Conflict of Interest Guidelines which apply if there is, or may be, a conflict between personal interests of a Director or duties a Director owes to another company, and the duties a Director owes to Red Fork.

The Code of Conduct provides that Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

A register of Conflicts of Interest is tabled at every Board meeting.

3.4 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

A register of Related Parties is tabled at every Board meeting.

3.5 Diversity Policy

The Company has a diversity policy to provide an environment in which all employees, Directors and consultants are treated with fairness and respect, and have equal access to opportunities available at work regardless of gender, age, disability, marital status, sexual orientation, religion, ethnic or any other area of potential difference. The Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

Red Fork aims to meet its ongoing commitment to diversity, by amongst other things respecting the unique attributes that each individual brings to the workplace and fostering a culture of inclusiveness.

On an annual basis, the Remuneration and Nomination Committee also assesses and reports to the Board the Company's progress towards achieving its measurable objectives set by the Board for achieving improvements in the diversity mix and specifically on the relative proportion of women and men in the workforce at all levels within the Company.

During 2013, the Company developed a diversity strategy with focus on increasing cultural diversity and participation by women in the workforce at all levels within the Company.

The measurable objectives and the Company's progress towards achieving them are detailed as follows:

Objective	Progress
Increasing cultural diversity within the Company by ensuring this is advised to all external agencies engaged to provide recruitment services, and all prospective employees are treated with fairness and respect	Satisfied – routinely advised to recruitment agencies and senior executives involved in recruitment of prospective employees.
Increasing participation by women in the workforce at all levels within the Company	Partly satisfied with the increase of women in Senior Executive positions from 9% to 17% in 2013; and increasing proportion of women in Red Fork as a whole from 35% to 42% in 2013.
Specific Diversity Targets by 2016:-	
• at least 20% of female representation on Red Fork's Board	Not fulfilled at 30 June 2013 as the Company was not able to secure suitable female candidates when vacancies have arisen.
• at least 15% of Senior Executive Positions are female	Satisfied as at 30 June 2013 with 17%.
• at least 40% of Red Fork overall staff are female	Satisfied as at 30 June 2013 with 42%. The Company will look to maintain this target.
Specific Diversity Targets by 2020:-	
• at least 25% of female representation on Red Fork's Board	Not fulfilled at 30 June 2013 as the Company was not able to secure suitable female candidates when vacancies have arisen.
• at least 25% of Senior Executive Positions are female	Not fulfilled at 30 June 2013.
• at least 40% of Red Fork overall staff are female	Satisfied as at 30 June 2013 with 42%. The Company will look to maintain this target.

The Company currently has 31 permanent employees, representing a 65% increase (23 employees in 2012) from last year. Although the Company is yet to fulfil its target of having female representation on the Board, it is pleased with its achievement on increasing participation by women in senior executive position from 9% in 2012 to 17% in 2013; and 42% of the Group's employees are women as at 30 June 2013 representing a 7% increase since 2012.

The following table illustrates the proportion of full-time equivalent (FTE) women employees in the entire organization, in senior executive positions and on the Board of Red Fork:

	Actual as at 30 June 2013 (%)	Actual as at 30 June 2012 (%)
Women on Red Fork's Board	0	0
Women in Senior Executive Positions (FTE*)	17	9
Women in Red Fork as a whole (FTE*)	42	35

FTE includes all full-time and part-time employees of Red Fork and its subsidiaries.

A copy of the Code of Business Ethics and Conduct, Share Trading Policy and Diversity Policy are available on Red Fork Energy Limited website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit and Risk Committee

The Board is committed to fulfilling its responsibilities to shareholders, employees and other stakeholders of the Company. It has established an Audit and Risk Committee to assist with its oversight responsibilities for the Company's financial reporting process, the system of internal control in relation to matters affecting the Company's financial performance, audit process, risk management procedures and monitoring the Company's compliance with laws and regulations.

The Audit and Risk Committee consists of three (3) members as follows:-

- Larry Edwards – Non-executive Director and Chair of the Committee
- William Warnock – Non-executive Director
- Michael Fry – Non-executive Director and Chairman of Red Fork Energy

Ms Suzie Foreman, the Company Secretary is the Secretary of the Committee

The Audit and Risk Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit and Risk Committee Charter sets out the Committee's roles, responsibilities, composition, structure and membership requirements. A copy of the Charter is available on the Company's website. This Charter was reviewed and updated in March 2013.

The Committee Charter requires that the Committee be composed of Directors who are financially literate, with at least one Director possessing accounting or related financial expertise and qualifications and at least one Director who has experience in, and an understanding of the oil and gas industry. The Chairman of the Audit and Risk Committee cannot be the Chairman of the Company.

Mr Edwards, Mr Warnock and Mr Fry are voting members of the Committee, and are all independent Non-executive Directors of the Company as disclosed in various other sections of this Statement. Their qualifications and experience are set out on Pages 12 and 13. The Company therefore complies with Recommendation 4.2.

Key activities undertaken by the Audit and Risk Committee during the year included:

➢ Approval of the scope, plan and audit fees for the 2013 external audit;

➢ Review of the independence and the performance of the external auditor;

➢ Consideration of the requirement for an internal audit;

➢ Review and making recommendations to the Board on amendments to the Committee's charter and the Risk Management Policy;

➢ Implementation of the Whistleblower Policy and monitoring the systems of internal control;

➢ Review and recommendation to the Board of the Group's half year and annual financial statements; and

Implementing a timetable to meet with the external auditors without management present.

The CFO, CEO are regular attendees at Audit and Risk Committee meetings. Auditors are invited to attend the Committee meetings at least annually.

4.2 External auditor

The Audit and Risk Committee reviews the external auditor's terms of engagement and audit plan, assesses the independence and monitors the performance of the external auditor. The Audit and Risk Committee also reviews any non-audit services proposed to be provided by the auditor and reviews them, in particular to identify any threats to independence which could arise for the provision of non-audit services. The Company's independent external auditor is HLB Mann Judd (WA).

The current practice for HLB Mann Judd, subject to amendments in the event of legislative change, is for the rotation of the engagement partner for listed entity clients to occur every five years and prohibit the re-involvement of a previous audit partner in the audit service for two years following rotation. Details of analysis of fees paid to the external auditors, including a break-down of any fees for any non-audit services, are located in Note 23 to the Financial Statements. The external auditors also provide an annual declaration of their independence to the Company.

The Company's external auditor is required to attend its Annual General Meeting and be available to answer shareholder questions in relation to the conduct of the audit, its preparation and content of the audit report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Red Fork Energy acknowledges the importance and is committed to ensuring that shareholders and the markets in which its securities are listed are properly informed of matters which may have a material impact on the price at which the securities are traded. Its Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance. The Board has designated the Company Secretary and the CEO as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX, analysts, brokers, shareholders, the media and the public.

The Board approves any announcement relating to the annual and half year financial reports and any other information for disclosure to the market that contains or relates to financial projections, statements as to the future financial performance or changes to the policy or strategy of the Company when taken as a whole.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on Red Fork Energy's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communication Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. The Shareholder Communication Policy in conjunction with the Continuous Disclosure Policy reinforces the Company's commitment to promoting investor confidence by requiring:

(a) compliance with the continuous disclosure obligations;

(b) compliance with insider trading laws;

(c) compliance with financial reporting obligations;

(d) all information released to the market to be placed on Red Fork's website promptly following release;

(e) compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;

(f) all disclosures, including notices of meetings and other shareholder communications to be drafted in a clear, concise, timely and transparent manner; and

(g) response to shareholder queries in a prompt and courteous manner.

Under the Shareholder Communication Policy, the Company Secretary and CEO have the primary responsibility for communication with shareholders.

The Company acknowledges the importance of effective communication with its shareholders and encourages their participation at general meetings. Given the geographical distance and cost associated with all Directors attending the AGM, the Company has a policy of encouraging overseas Directors to attend the AGM by rotation.

The Company's auditors are also required to attend its annual general meetings and be available to answer shareholder questions about the conduct of the audit, accounting policies adopted by the Company, the preparation and content of the Independent Auditor's Report. Copies of any addresses made by the Chairman or CEO and associated Company presentations are available on the Red Fork website. The outcome of voting on the items of business are disclosed to the market and posted on the Company's website after the AGM.

In addition, the Company makes the following information available on its website on a regular and timely basis:

- all Company announcements released to ASX;
- notices of general meetings and explanatory materials;
- annual reports; and
- most recent information briefings or presentation to the media and analysts.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communication Policy is available on Red Fork Energy's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management Policy

Red Fork Energy recognises that risk is inherent to any business activity and that managing risk effectively and providing sound internal controls are critical to the immediate and future success of the Company and are key elements of good corporate governance. As a result, the Board has adopted a Risk Management and Internal Compliance and Control Strategy which sets out the Company's system of risk oversight, management of material business risks and internal control. These are governed by the Audit and Risk Committee Charter.

7.2 Risk oversight

The Board is ultimately responsible for the oversight and approval of the Company's risk management strategy, policy and key risk parameters. The Audit and Risk Committee assists the Board in fulfilling its obligations in relation to the Company's risk management systems. Through the Committee, the Board requires management to design and implement a risk management and internal control system to manage the Company's material business risks and to report to it on whether those risks are being managed effectively. The Committee is responsible for liaising with key management in charge of functions including health and safety, financial, legal, environmental and social aspects of the business to identify key risk areas and obtain and provide an independent review of the adequacy of the effectiveness of the Company's risk and management and internal control systems.

The Board is regularly briefed and involved in discussions in relation to any material business risks facing the Company. The Risk Management Policy confers the responsibility to all employees to proactively identify, manage and review and report on risks within their area of accountability and responsibility.

Management is responsible for promoting and applying the Risk Management Policy. Key responsibilities involve:

➢ Identifying and assessing business and operational risks;

➢ Developing and implementing appropriate risk minimization strategies;

➢ Monitoring the effectiveness of internal controls; and

➢ Reporting on risk management capability and performance.

For the financial year ended 30 June 2013, management has reported to the Board that the material risks are being appropriately managed.

7.3 Reporting and assurance

The Board receives regular reports on the Company's financial and operational results.

The Audit and Risk Committee ensures the integrity of the financial statements of the Company and the independence of the external auditor. As detailed in responsibilities of the Audit and Risk Committee, the Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the Board members.

The Company's external auditors are invited to attend the Committee's meeting for discussion in relation to the Company's financial reporting matters and internal control systems without the presence of the Company's Executives.

Before adoption by the Board of the financial and half year financial statements, the Board receives written declaration from:

i) its management (Chief Executive Officer and Chief Financial Officer) that the financial records of the Company have been properly maintained in accordance with Section 286 of the Corporations Act, and that the Company's financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period;

ii) the Chief Financial Officer and Chief Executive Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The Risk Management and Internal Compliance and Control Strategy governed by the Audit and Risk Committee Charter is available on the Red Fork Energy website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration and Nomination Committee

The Remuneration Committee was amalgamated with the Nomination Committee in April 2013. The Remuneration and Nomination Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

8.2 Role

The Remuneration and Nomination Committee assists the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and executives.

The Remuneration and Nomination Committee currently consists of three (3) Non-executive Directors, being Mr William Warnock, Mr Larry Edwards and Mr Michael Fry, who are all independent Directors. Miss Suzie Foreman is the secretary of the Committee. The Committee met three times during the financial year.

8.3 Responsibilities

The responsibilities of the Remuneration and Nomination Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the CEO's performance, including, setting with the CEO goals and reviewing progress in achieving those goals. In addition, the Committee undertakes performance evaluation of the Board as a whole to ensure an appropriate size and balance of skills and experience required to manage the Company.

The Committee has established a Remuneration Policy for the Company, of which a copy is available under the Committee's Charter. To ensure that it is fully informed when making remuneration decisions, the Committee draws on services from a range of external sources including professional advice from external remuneration consultants as it sees fit. Red Fork's guidelines on the use of external remuneration consultants sets out requirements to ensure their independence from the Company's management and includes the process for the selection of consultants and their terms of engagement. Remuneration consultants must report directly to the Committee on any remuneration advice in relation to Executives' remuneration.

The Remuneration Report outlines the Director and Executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001, the Corporations Regulations and the relevant Accounting Standards. Shareholders will be invited to consider and approve the Remuneration Report at the 2013 AGM.

8.4 Non-executive Directors' remuneration policy

The structure of Non-executive Directors' remuneration is clearly distinguished from that of Executives. Remuneration for Non-executive Directors is fixed. Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses. Neither the Non-executive Directors nor Executives of the Company receive any retirement benefits other than superannuation. The Chairman does not receive equity remuneration benefits. Non-Executive Directors are also entitled to but not necessarily paid statutory superannuation.

The Performance Rights Plan and Employee Share Option Plan were used by the Company as part of the remuneration planning for both Executive and Non-executive Directors and employees. The Corporate Governance Guidelines and Recommendations recommend that Non-executive directors should not receive options or participate in schemes designed for the remuneration of executives. In previous years, due to cash limitations the Company remunerated its US based Directors, including a Non-executive Director with performance based incentives. This practice ceased during the current financial year and the Company conducted a thorough review of its Executive and Employee Incentive plans in consultation with its Remuneration advisors. The Company's new performance based incentive plans (short term variable incentives) and (long term incentives, which is equity based) are no longer offered to Non-Executive Directors.

8.5 Executive directors' remuneration policy

As noted previously, Executive Directors are employed pursuant to employment agreements and are entitled to participate in the Company's performance based incentive plans (short term variable incentives and long term incentive, which is equity based). Summaries of these employment agreements and their incentive plans are set out in the Remuneration Report.

The Remuneration Policy also contains a prohibition on Directors entering into hedging arrangements to mitigate the risk of changes in value of unvested performance rights by the use of financial instruments. Directors are required to report to the Chairman (or in the case of the Chairman, the CEO) any such arrangements entered into in relation to vested securities, and must occur only within the trading periods allowed under the Securities Trading Policy.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

The checklist below summarises the Company's compliance with the Recommendations.

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 1	**Lay solid foundations for management and oversight**		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website and Page 42
Rec 1.2	Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Website and Page 42
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Page 42
Pr 2	**Structure the board to add value**		
Rec 2.1	A majority of the board should be independent directors.	Yes	Website and Page 43
Rec 2.2	The Chairperson should be an independent director.	Yes	Website and Page 43
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website and Page 43
Rec 2.4	The board should establish a nomination committee	Yes	Website and Page 44
Rec 2.5	Companies should disclose the process of evaluating the performance of the board, its committees and individual directors.	Yes	Website and Page 45
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2	Yes	Website and Page 46

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 3	**Promote ethical and responsible decision making**		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website and Page 47
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website and Page 50
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes	Website and Page 51
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website and Page 51
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Page 51
Pr 4	**Safeguard integrity in financial reporting**		
Rec 4.1	The board should establish an audit committee.	Yes	Website and Page 51
Rec 4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors;	Yes	Website and Page 52
	• consists of a majority of independent directors;	Yes	Website and Page 52
	• is chaired by an independent chair, who is not the chair of the board; and	Yes	Website and Page 52
	• has at least three members.	Yes	Website and Page 52
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Page 52
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website and Page 52
Pr 5	**Make timely and balanced disclosure**		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Page 53
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Page 53

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 6	**Respect the rights of shareholders**		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Page 53
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Page 53
Pr 7	**Recognise and manage risk**		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Page 54
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website and Page 54
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website and Page 54
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Page 54
Pr 8	**Remuneration fairly and responsibly**		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website and Page 55
Rec 8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director • has at least three members	Yes	Website and Page 55
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	Yes	Website and Page 55
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Page 56

Financial Information

The Group has made significant progress in expanding its oil and gas reserves and increasing its oil and gas production.

Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	CONSOLIDATED 2013 US$'000	CONSOLIDATED 2012 US$'000
Sales Revenue	2	18,181	6,193
Cost of sales	2	(6,867)	(3,517)
Gross profit		**11,314**	**2,676**
Other revenue	2	476	916
Amortisation, depreciation and rehabilitation expense	2	(4,760)	(3,013)
Administration and other expenses	2	(3,249)	(2,178)
Employment expenses		(5,077)	(2,919)
Equity based payments		(3,511)	(1,612)
Finance costs		(262)	(53)
Loss on foreign exchange movement		(20)	(71)
Loss before income tax expense		(5,089)	(6,254)
Income tax benefit / (expense)	3	-	-
Net loss for the year	15	(5,089)	(6,254)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(18,943)	(2,972)
Foreign exchange gain/(loss) reclassified to equity		18,400	2,820
Other comprehensive loss for the year net of taxes		(543)	(152)
Total comprehensive loss for the year		**(5,632)**	**(6,406)**
Earnings Per Share			
Basic loss per share (cents)	20	(1.37)	(2.14)

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 30 June 2013

	Note	CONSOLIDATED 2013 US$'000	2012 US$'000
CURRENT ASSETS			
Cash and cash equivalents	5	3,763	20,681
Trade and other receivables	6	8,468	2,152
Other assets	10	7,812	1,198
TOTAL CURRENT ASSETS		**20,043**	**24,031**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	8	27,993	25,408
Development and production assets	9	124,290	45,629
Plant, equipment and pipeline	7	34,668	12,683
Other assets	10	15	17
TOTAL NON-CURRENT ASSETS		**186,966**	**83,737**
TOTAL ASSETS		**207,009**	**107,768**
CURRENT LIABILITIES			
Trade and other payables	11	35,065	8,107
Interest-bearing loans and borrowings	12	25,000	-
Other financial liabilities		11	98
TOTAL CURRENT LIABILITIES		**60,076**	**8,205**
NON CURRENT LIABILITIES			
Other financial liabilities		-	100
Restoration provision	13	400	481
TOTAL NON-CURRENT LIABILITIES		**400**	**581**
TOTAL LIABILITIES		**60,476**	**8,786**
NET ASSETS		**146,533**	**98,982**
EQUITY			
Issued capital	14	165,810	113,913
Reserves	16	3,998	3,699
Accumulated losses	15	(23,275)	(18,630)
TOTAL EQUITY		**146,533**	**98,982**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the year ended 30 June 2013

CONSOLIDATED	Issued Capital US$'000	Accumulated Losses US$'000	Share Based Payment Reserve US$'000	Foreign Translation Reserve US$'000	Total US$'000
Balance at 1 July 2011	87,488	(15,015)	3,379	1,499	77,351
Loss for the year	-	(6,254)	-	-	(6,254)
Exchange difference arising on translation of foreign operation	-	-	-	(2,972)	(2,972)
Foreign exchange loss reclassified to equity	-	-	-	2,820	2,820
Total comprehensive loss for the year	-	(6,254)	-	(152)	(6,406)
Shares issued during the year	27,862	-	-	-	27,862
Capital raising costs	(1,437)	-	-	-	(1,437)
Transfer of expired and cancelled options	-	2,639	(2,639)	-	-
Recognition of share based payments	-	-	1,612	-	1,612
Balance at 30 June 2012	113,913	(18,630)	2,352	1,347	98,982
Balance at 1 July 2012	113,913	(18,630)	2,352	1,347	98,982
Loss for the year	-	(5,089)	-	-	(5,089)
Exchange difference arising on translation of foreign operation	-	-	-	(18,943)	(18,943)
Foreign exchange loss reclassified to equity	-	-	-	18,400	18,400
Total comprehensive loss for the year	-	(5,089)	-	(543)	(5,632)
Shares issued during the year	52,317	-	-	-	52,317
Capital raising costs	(2,705)	-	-	-	(2,705)
Conversion of options	60	-	(19)	-	41
Conversion of performance rights	2,225	-	(2,225)	-	-
Expired and cancelled options and performance rights	-	444	(827)	-	(383)
Recognition of share based payments	-	-	3,913	-	3,913
Balance at 30 June 2013	165,810	(23,275)	3,194	804	146,533

The accompanying notes form part of these financial statements

Statement of Cash Flows
For the year ended 30 June 2013

	Note	CONSOLIDATED 2013 US$'000	CONSOLIDATED 2012 US$'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Receipts from customers		16,144	4,195
Payments to suppliers and employees		(12,285)	(5,756)
Interest received		490	1,015
NET CASH PROVIDED BY /(USED IN) OPERATING ACTIVITIES	17(a)	**4,349**	**(546)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(3,106)	(4,327)
Payments for development activities		(69,906)	(20,696)
Payments for property, plant and equipment		(21,632)	(5,477)
NET CASH (USED IN) INVESTING ACTIVITIES		**(94,644)**	**(30,500)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		52,377	27,862
Transaction costs on issue of shares		(2,705)	(1,437)
Proceeds from borrowings		25,000	-
Borrowing costs, including capitalised finance fees		(262)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**74,410**	**26,425**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(15,885)**	**(4,621)**
Cash and cash equivalents at beginning of the year		20,681	26,360
Effect of exchange rates on cash		(1,033)	(1,058)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17(b)	**3,763**	**20,681**

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report includes the consolidated financial statements and notes of Red Fork Energy Limited (RFE) and its wholly owned subsidiaries Red Fork (USA) Investments Inc. and EastOk Pipeline LLC. (collectively, the "Company", "Consolidated Entity" or "Group".

The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

Functional and presentation currency

The consolidated financial statements are presented in United States dollars (US$), which is the Group's presentation currency unless otherwise stated.

Rounding

The amounts in the financial statements for the current financial year and its comparatives have been rounded off to the nearest US$1,000 under the provision of ASIC Class Order 98/100.

Accounting Policies

The accounting policies detailed below have been consistently applied to all the years presented unless otherwise stated.

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the accounting policies adopted by the Group in the preparation of the financial information.

Going Concern

As at 30 June 2013, the Group made a loss for the period of US$5.1m, had available cash of US$3.7m and had recorded an operating net cash outflow for the year of US$15.8m. In addition, the Group had a working capital deficiency of US$40m as a consequence of the current classification of the credit facility provided by F&M Bank (Credit Facility).

The Group has made significant progress in expanding its oil and gas reserves and increasing its oil and gas production. Approximately, US$8.2m of the result for the year related to non-cash expenses such as equity based payments and amortisation, depreciation and rehabilitation expenses.

As at 30 June 2013, US$25m was approved for draw down under the US$65m Credit Facility, with a further US$10m made available and drawn subsequent to year-end. Post June 30, 2013, the Credit Facility was amended to include a limit of $100m with a Borrowing Base of $45m approved for draw down. The Credit Facility has a maturity date of 31 March 2014 (Maturity Date).

The renewal and extension of the Maturity Date of the Credit Facility is subject to delivery of a reserve report and other current financial information, which is obtained on a periodic basis.

The Company has received an independently certified review of its oil and gas reserves as at 30 June 2013 (Reserve Report). The Reserve Report highlights a significant increase in the present value of the Company's proved reserves as at 30 June 2013 (increased from US$89m at December 31, 2012 to US$196m at 30 June 2013). The Credit facility limit and Borrowing Base is determined by reference to the present value of the Company's proved reserves.

F&M Bank have been provided with the Reserve Report as at 30 June, 2013 and they have advised that they intend to extend the Maturity Date of the Credit Facility and/or increase the Credit Facility limit and the Borrowing Base, subject to normal due diligence and formal credit approval.

The Directors are satisfied that the Group can continue to operate as a going concern. Having regard to the significant present value ascribed to Company's proved reserves as at 30 June 2013, the Directors are confident that they will be able to; extend the Maturity Date and/or the increase the Credit Facility limit and the Borrowing Base; or refinance the Credit Facility (and extend the term of a replacement facility beyond the end of the current financial year). In addition, the Directors have the option of seeking additional equity funding should this be required.

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 30 September 2013.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Red Fork Energy Limited as at 30 June 2013 and the results of all the subsidiaries for the year then ended.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is gained by the Group and cease to be consolidated from the date on which control is lost by the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Group controls another entity.

(e) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(f) Exploration and Evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

  (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

  (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to production assets.

(g) Provision for Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(h) Trade and Other Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 to 45 days of recognition.

(i) Cash and Cash Equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purpose of the Statement of Cash Flows, cash includes on hand and other funds held at call net of bank overdrafts.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Foreign Currency

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates (the "functional" currency). The consolidated financial statements are presented in US dollars.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at Statement of Financial Position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of transaction.

Exchange differences arising on the translation of monetary items are recognized in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items are included in the reserves within equity.

Foreign operations

The financial performance and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at Statement of Financial Position date.
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity. These differences are recognised in the Statement of Comprehensive Income upon disposal of the foreign operation.

(l) Earnings Per Share

The Company presents basic per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(m) Reclassifications

Certain reclassifications have been made to the prior year financial statements and associated notes to the financial statements too conform to the current year presentation.

(n) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at the nominal amount due.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest

Interest revenue is recognised when control of the right to receive the interest payment.

(ii) Oil and Gas Sales

Revenue from the sale of oil and gas is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the products. This occurs at the point of transfer of the product to the purchasers' transportation mode, either truck or pipeline.

(r) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the balance date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and other employee benefits expected to be settled within twelve months of balance date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows.

Employee benefits expenses and revenues arise in respect of the following categories:

- Employment expenses comprise wages and salary payments non-monetary benefits, annual leave, sick leave and other leave benefits; and
- other types of employee benefits are recognised against earnings on a net basis in their respective categories.

(s) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised when the contractual right to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iii) Loans and borrowings

Loans and borrowings are non-derivative financial liabilities and are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

(t) Property, Plant & Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Gas pipeline – over 50 years

Pipeline processing equipment – over 10 years

Software, office equipment and other assets – 3 to 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(u) Impairment of Assets

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(v) Share-based payment transactions

(i) Equity settled transactions:

The Group has a Performance Rights Plan which provides equity based awards to key management personnel and employees. The Remuneration Committee approves the grant of such Performance Rights as incentives to attract and maintain the long term commitment of executives to the Company.

The cost of the awards are measured by reference to the fair value of the equity instrument on the grant date and they are amortised as an expense in the statement of comprehensive income over the period in which the performance and service conditions are fulfilled (vesting) period.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(w) Production Assets

Production assets are carried at cost and include construction, installation or completion of wells, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration.

Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial period in which they are incurred.

All capitalised costs are amortised on the units of production method using estimates of proved reserves.

(x) Significant accounting estimates, assumptions and judgements

The preparation of the financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to impairment calculations, production assets and restoration provisions. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

Estimates of Reserve Quantities

The estimated quantities of hydrocarbon reserves reported by the consolidated entity are integral to the calculation of amortisation (depletion), depreciation expense and to assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical, models and assessment of the technical feasibility and commercial viability of producing the reserves. Management relies on independent third party reserve estimates which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations.

Depletion and Depreciation

The Consolidated Entity uses the unit-of-production reserve depletion model to calculate amortisation and depreciation on capitalised expenditure relating to oil and gas assets. This method necessitates the estimation of oil and gas reserves over which the carrying value of the relevant assets will be expensed to the statement of comprehensive income. The calculation of oil and gas reserves is complex and requires the use of estimates and assumptions by management of commodity prices, future production costs and geological structures. Reserve estimation aims to provide a statistically probable outcome in relation to the economically recoverable reserve, which may not on a yearly basis reflect the percentage of reserves depleted. However over the life of the producing assets all capitalised costs will be expensed to the statement of comprehensive income.

The accounting estimate for amortisation of oil and gas production assets has been changed from 1 July 2012 to use proved (1P) reserves as a denominator for amortisation purposes under the Units of Production Methodology. The Group has used the estimate of proved developed producing (PDP) reserves in prior years. During the financial year, the Board and management of Red Fork decided to change the reserves base for amortising oil and gas production assets to proved (1P) reserves to reflect management's expected pattern of consumption of future economic benefits embodied in the assets and also to better align Red Fork's accounting policy to that adopted by its peers. The impact of change in accounting estimate is to reduce the amortisation charge and decrease the loss after tax for the financial year by an amount of US$0.8 million as a result of the writing back prior year's amortisation differences. In addition, the carrying value of oil and gas production assets at 30 June 2013 is US$0.8 million higher than it would have been had the change in estimate not been made.

Provision for restoration

The Consolidated Entity estimates the future removal and rehabilitation costs of production assets in order to determine its provision for restoration. In many instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology used for estimating cost and liability specific discount rates to determine the present value of those cash flows.

Share-based Payments

The Group's policy for stock based compensation is discussed in Note 1(v). The application of this policy requires the directors to make certain estimates and assumptions as to future events and circumstances relating to the stock's vesting.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

Exploration and evaluation

The Consolidated Entity's accounting policy for exploration and evaluation assets is set out in Note 1 (f). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Consolidated Entity concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

	CONSOLIDATED Year Ended 30 June 2013 US$'000	CONSOLIDATED Year Ended 30 June 2012 US$'000
2. REVENUES AND EXPENSES		
(a) Revenue		
Sales revenue		
Oil sales	13,246	2,946
Gas sales (i)	4,036	3,222
Miscellaneous sales	899	25
	18,181	**6,193**
(i) Wagoner gathering and processing income was recorded as net revenue in the prior period and has now been restated as gross revenue with cost of sales as comparable with the reporting period presentation		
Other Revenue		
Interest received	476	916
	476	**916**
(b) Cost of Sales		
Lease operating expenses	4,788	1,550
Production expenses (refer to Note 2(a)(i))	2,079	1,967
	6,867	**3,517**
(c) Amortisation, depreciation and rehabilitation expense		
Amortisation of production assets	3,564	2,229
Amortisation of pipeline assets	705	445
Depreciation expense	524	321
Rehabilitation expense	(33)	18
	4,760	**3,013**
(d) Administration and other expenses		
Administration expenses	163	190
Consultant fees	970	237
Compliance and share registry fees	625	670
Travel expenses	597	580
Occupancy expenses	276	182
Other expenses	618	319
	3,249	**2,178**

3. INCOME TAX EXPENSE

The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

3. INCOME TAX EXPENSE *(CONTINUED)*

	CONSOLIDATED	
	Year Ended 30 June 2013 US$'000	Year Ended 30 June 2012 US$'000
The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activity before income tax at 30% (2012: 30%)	(1,527)	(1,876)
Add tax effect of:		
Revenue losses not recognised	833	1,639
Share based payments	1,061	493
Other non-allowable items	98	108
	465	364
Less tax effect of:		
Other deferred tax balances not recognised	465	364
Income tax expense	-	-

4. DEFERRED TAX

The deferred tax recognised at 30 June relates to the following:		
Deferred tax liabilities		
Exploration and evaluation costs	(16,847)	(1,675)
Other	(1)	(5)
Deferred tax assets		
Carry forward revenue losses	16,848	1,680
Net deferred tax	-	-
Unrecognised deferred tax assets		
Carry forward revenue losses	5,084	8,470
Capital raising costs	1,548	1,205
Provisions and accruals	11	9
Other	4	7
	6,647	**9,691**

The tax benefits of the above deferred tax assets will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the Company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the Company in utilising the benefits.

The comparative year disclosures have been updated to include the foreign subsidiary deferred tax balances. There has been no change to the income tax expense.

	CONSOLIDATED As at 30 June 2013 US$'000	CONSOLIDATED As at 30 June 2012 US$'000

5. CASH AND CASH EQUIVALENTS

	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Cash at bank	2,578	10,425
Short Term Deposits	1,185	10,256
	3,763	**20,681**

Cash at bank earns interest at floating rates based on a daily bank deposit rates and fixed interest is earned on term deposits held for maturity between 1-3 months.

6. TRADE & OTHER RECEIVABLES

Current

	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Oil and gas sales receivable	7,364	2,000
Other receivables	29	38
Bonds and deposits	466	48
	7,859	2,086
Prepayments	609	66
	8,468	**2,152**

Terms and conditions relating to the above financial instruments:

a) Oil and gas sales receivable is non-interest bearing and generally on 60 day terms;

b) Other debtors are non-interest bearing and generally on 30 day terms

Ageing of past due but not impaired:	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Current – 30 days	6,585	1,378
30 – 60 days	326	560
60 – 90 days	22	82
Over 90 days	926	66
Total	7,859	2,086

7. PLANT, EQUIPMENT AND PIPELINE

	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Plant and equipment		
At cost	16,006	2,732
Accumulated depreciation	(1,069)	(532)
	14,937	2,200
Pipeline		
At cost	21,287	11,350
Accumulated depreciation	(1,556)	(867)
	19,731	10,483
	34,668	**12,683**

	CONSOLIDATED	
	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
7. PLANT, EQUIPMENT AND PIPELINE *(CONTINUED)*		
Plant and equipment		
At 1 July	2,200	836
Additions	12,081	1,711
Disposals	(15)	(26)
Transfers	1,195	-
Depreciation charge for the year	(524)	(321)
	14,937	2,200
Pipeline		
At 1 July	10,483	7,051
Additions	9,114	3,877
Disposals	-	-
Transfers	839	-
Depreciation charge for the year	(705)	(445)
	19,731	10,483
	34,668	**12,683**

8. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs carried forward in respect of petroleum exploration areas of interest.

Pre-production		
- Exploration and evaluation phases	**27,993**	**25,408**
Movement in carrying amounts		
Opening balance	25,408	19,694
Expenditure incurred during the year	9,060	20,790
Disposals	(40)	(92)
Transfers	(6,435)	(14,984)
Closing balance	**27,993**	**25,408**

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the petroleum exploration areas of interest.

	CONSOLIDATED	
	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000

9. DEVELOPMENT AND PRODUCTION ASSETS

	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Production plant and equipment		
At cost	23,786	12,188
Accumulated depreciation	(1,657)	(869)
Accumulated impairment	(1,294)	(1,294)
	20,835	10,025
Production assets		
At cost	109,250	38,623
Accumulated amortisation	(5,291)	(2,515)
Accumulated impairment	(504)	(504)
	103,455	35,604
Total production assets	**124,290**	**45,629**

Reconciliations

Movement in the carrying amounts for each class of production assets between the beginning and end of the current financial year:-

2013	Plant and Equipment US$'000	Production Assets US$'000	Total US$'000
Carrying amount at the beginning of the year	10,025	35,604	45,629
Additions	14,090	64,069	78,159
Disposals	(326)	(8)	(334)
Transfers	(2,166)	6,566	4,400
Depreciation/ Amortisation	(788)	(2,776)	(3,564)
Carrying amount at the end of the year	20,835	103,455	124,290

2012	Plant and Equipment US$'000	Production Assets US$'000	Total US$'000
Carrying amount at the beginning of the year	9,902	14,375	24,277
Additions	1,247	7,351	8,598
Transfers	(846)	15,830	14,984
Depreciation/ Amortisation	(278)	(1,952)	(2,230)
Carrying amount at the end of the year	10,025	35,604	45,629

	CONSOLIDATED	
	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000

10. OTHER ASSETS

Current

Inventories	386	339
Deferred property costs (i)	7,426	859
	7,812	**1,198**

(i) Amounts incurred on jointly operated wells unallocated and unbilled to joint interest owners at the year end.

Non-Current

Security deposits	**15**	**17**

11. TRADE & OTHER PAYABLES

Current

Trade creditors (a)	32,646	7,914
Other creditors and accruals	2,396	163
Employee accruals	23	30
	35,065	**8,107**
Aggregate amounts payable to related parties:		
Directors and director-related entities	-	26

Terms and conditions

(a) Trade creditors are non-interest bearing and are normally settled on 45 day terms.

12. INTEREST-BEARING LOANS AND BORROWINGS

Current

Secured credit facility	25,000	-

On 20 March 2013, Red Fork (USA) Investments, Inc., a wholly owned subsidiary of the Company, entered into a credit agreement (the "Credit Facility") with the F&M Bank and Trust Company acting as lead banker, pursuant to which up to US$65 million was available on a revolving basis with an initial borrowing base amount ("Revolver Commitment") of US$20 million at a variable interest rate (WSJ Prime rate of 3.25% per annum at the time). The Revolver Commitment was further increased to US$25 million on 31 May 2013. The Credit Facility has a maturity date of 31 March 2014.

Banking covenants require the Company to maintain an EBITDAX ratio of not more than 4 to 1, measured quarterly (on an annualised basis) from 30 September 2013.

The Revolver is secured in the form of a mortgage covering not less than 80% of the value of Red Fork's Proven Reserves, including leasehold properties, wells, leasehold working interests, royalty interests and other mining and mineral interests situated in Oklahoma. EastOk Pipeline LLC assets are also pledged as security under the extension to the credit agreement.

	CONSOLIDATED	
	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000

13. RESTORATION PROVISION

Non-current		
Rehabilitation costs	**400**	**481**
Rehabilitation Costs		
Balance at beginning of year	481	436
Adjustment for prior period over provision	(133)	-
Liabilities incurred during the year	40	27
Additions in provisions during the year	12	18
Balance at end of year	**400**	**481**

14. ISSUED CAPITAL

Issued and paid up capital		
388,551,719 (2012: 310,229,853) Ordinary shares	**165,810**	**113,913**

(a) Movements in issued capital

At the beginning of the year	113,913	87,488
Shares issued during the period:		
- Placement at $0.69 each	-	27,861
- Placement at $0.67 each	52,317	-
- Option conversion	60	-
- Performance rights conversion	2,225	-
Share issue costs	(2,705)	(1,436)
At end of the year	**165,810**	**113,913**

(b) Movements in number of shares on issue

Fully paid	**Number**	**Number**
At the beginning of the year	310,229,853	269,769,853
Shares issued during the period:		
- Placement at $0.69 each	-	40,460,000
- Placement at $0.67 each	74,626,866	-
- Option conversion	95,000	-
- Performance rights conversion	3,600,000	-
At end of the year	**388,551,719**	**310,229,853**

14. ISSUED CAPITAL *(CONTINUED)*

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(c) Options

At the end of the financial year, there are 3,517,666 options over unissued shares as follow:

Type	Date of Expiry	Exercise Price AUD	Number Under Option
Unlisted Options	30 June 2014	$0.65	1,600,000
Unlisted Options	30 June 2014	$0.35	708,333
Unlisted Options	30 June 2014	$0.45	708,333
Unlisted Options	30 November 2014	$1.20	501,000

95,000 employee options were exercised, 200,500 employee options expired unexercised and 1,086,000 employee options were cancelled during the financial year ended 30 June 2013.

There are no options issued over ordinary shares during the financial year.

(d) Performance rights

The issue of the performance rights is pursuant to the Company's Performance Rights Plan approved by shareholders at the Annual General Meeting held on 30 November 2011.

At the end of the financial year, there are 12,850,000 performance rights on issue as follow:

Type	Date of Expiry	Number Under Performance Rights	Vesting Probability
Tranche B – Directors (i)	30 April 2016	2,000,000	90%
Tranche C - Directors (ii)	30 April 2016	2,000,000	40%
Tranche A – Employees (iii)	30 April 2016	2,030,000	100%
Tranche B – Employees (iv)	30 April 2016	3,410,000	75%
Tranche C – Employees (v)	30 April 2016	3,410,000	30%

14. ISSUED CAPITAL *(CONTINUED)*

The above performance rights have the following vesting conditions:

(i) Receipts from sales must exceed US$16 million per annum (measured for two consecutive fiscal quarters annualized) ("milestone"), and the holder remains an employee of the Company until three months of the completion of the milestone.

(ii) Receipts from sales must exceed US$30 million per annum (measured for two consecutive fiscal quarters annualized) ("milestone"), and the holder remains an employee of the Company until three months of the completion of the milestone.

(iii) Receipts from sales must exceed US$8 million per annum (measured for two consecutive fiscal quarters annualized) and the holder is required to remain an employee for 12 months following grant date for the Performance Rights to convert into Shares.

(iv) Receipts from sales must exceed US$16 million per annum (measured for two consecutive fiscal quarters annualized) and the holder is required to remain an employee for 24 months following grant date for the Performance Rights to convert into Shares

(v) Receipts from sales must exceed US$30 million per annum (measured for two consecutive fiscal quarters annualized) and the holder is required to remain an employee for 36 months following grant date for the Performance Rights to convert into Shares

During the financial year ended 30 June 2013, a total of 9,600,000 performance rights were issued to the employees of the Company, 3,600,000 director performance rights were exercised and a total of 2,750,000 performance rights were cancelled due to cessation of employment and the resignation of Mr. Perry Gilstrap.

15. ACCUMULATED LOSSES

	CONSOLIDATED	
	Year to 30 June 2013 US$'000	Year to 30 June 2012 US$'000
Balance at the beginning of the year	(18,630)	(15,015)
Net loss for the year	(5,089)	(6,254)
Transfer of expired & cancelled options from reserve (refer Note 16(iii))	444	2,639
Balance at end of the year	**(23,275)**	**(18,630)**

16. RESERVES

	CONSOLIDATED	
	Year to 30 June 2013 US$'000	Year to 30 June 2012 US$'000
Reserves		
Share based payment reserve	3,194	2,352
Foreign currency translation reserve	804	1,347
	3,998	**3,699**

(a) Share based payment reserve (i)

At beginning of the year	2,352	3,379
Performance rights issued during the year	2,186	1,561
Conversion of options	(19)	-
Options cancelled and expired	(444)	-
Performance rights cancelled	(383)	-
Performance rights conversion	(2,225)	-
Employee equity settled payments	1,727	-
Accelerated vesting on cancelled options	-	51
Transfer of expired & cancelled options to accumulated losses (iii)	-	(2,639)
Balance at end of the year	3,194	2,352

(b) Foreign currency translation reserve (ii)

At beginning of the year	1,347	1,499
Movement during the year	(543)	(152)
Balance at end of the year	804	1,347

(i) The share based payment reserve is used to record the value of equity benefits provided to the employees and directors as part of their remuneration.

(ii) The foreign currency translation reserve records exchange differences arising on translation of the entities into the presentation currency of the Group.

(iii) Options issued to directors were cancelled during the year. The remaining vesting expense of US$50,788 was recorded through the reserve. The total portion of the reserve relevant to these options (and other options which have expired during the year) have been transferred to accumulated losses in accordance with AASB2.

	CONSOLIDATED	
	Year to 30 June 2013 US$'000	Year to 30 June 2012 US$'000

17. CASH FLOW INFORMATION

(a) Reconciliation of net loss after tax to the net cash flows from operations:

Net loss	(5,089)	(6,254)
Cash flows excluded from profit/loss attributable to operating activities		
Finance costs	262	-
Non-cash items		
Amortisation, depreciation and rehabilitation expense	4,760	3,013
Share based payments	3,511	1,612
Unrealised foreign losses	50	70
Changes in assets and liabilities		
Increase in receivables	(2,618)	(99)
Increase in payables and accruals	3,473	1,067
(Decrease)/Increase in employee accruals and provisions	-	45
Net cash flows from / (used in) operating activities	**4,349**	**(546)**

(b) Reconciliation of cash:

Cash balances comprises		
AUD accounts	910	10,340
USD accounts	2,853	10,341
	3,763	**20,681**

18. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Remuneration of Directors and Executives

Details of remuneration paid to key management personnel have been disclosed in the Directors' Report.

A summary of remuneration paid to key management personnel of the Company during the year as follows:

Short term employee benefits	2,535	1,567
Post-employment benefits	17	16
Share-based payments	2,141	1,584
	4,693	**3,167**

18. KEY MANAGEMENT PERSONNEL DISCLOSURES *(CONTINUED)*

(b) Shares Issued on Exercise of Compensation Options and Performance Rights

No shares were issued on exercise of compensation options during the financial year. There were no options held by key management personnel during the financial year. The Company has now ceased the use of share options.

3,600,000 shares were issued to the directors on conversion of performance rights on 1 May 2013 (refer to Note 18 (c)(iii) for details).

(c) Equity Instrument Disclosures Relating to Key Management Personnel

No shares were issued on exercise of compensation options during the financial year.

(i) Shares held by Key Management Personnel

The number of shares in the Company held during the financial year by each Director of Red Fork Energy Limited and other key management personnel, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

Year ended 30 June 2013

	Balance at 01.07.12	Shares Issued	Performance Rights Exercised	Bought & (Sold)	Balance at 30.06.13
DIRECTORS					
David Prentice	1,747,441	-	1,000,000	-	2,747,441
Michael Fry	1,894,774	-	-	-	1,894,774
Bruce Miller	582,746	-	1,000,000	-	1,582,746
Perry Gilstrap	700,000	-	-	-	700,000 *
Steve Miller	-	-	-	-	- ^
William Warnock	-	-	-	-	-
Larry Edwards	-	-	-	-	-
EXECUTIVES					
Kevin Humphrey	-	-	-	-	-
Chris Girouard	60,000	-	-	-	60,000
Lee Francis	-	-	-	-	-
	4,984,961	-	2,000,000	-	6,984,961

* As at the date of resignation, 18 February 2013

^ As at the date of resignation, 19 November 2012

18. KEY MANAGEMENT PERSONNEL DISCLOSURES *(CONTINUED)*

Year ended 30 June 2012

	Balance at 01.07.11	Shares Issued	Options Exercised	Bought & (Sold)	Balance at 30.06.12
DIRECTORS					
David Prentice	1,747,441	-	-	-	1,747,441
Michael Fry	1,894,774	-	-	-	1,894,774
Bruce Miller	582,746	-	-	-	582,746
Perry Gilstrap	700,000	-	-	-	700,000
Steve Miller	-	-	-	-	-
EXECUTIVES					
Kevin Humphrey	-	-	-	-	-
Chris Girouard	-	-	-	60,000	60,000
	4,924,961	-	-	60,000	4,984,961

(ii) Options Held By Key Management Personnel

There were no options held by key management personnel during the financial year. The Company has now ceased the use of share options.

Year ended 30 June 2012

	Balance at 01.07.11	Received as Remuneration	Exercise of Options	Bought & (Sold)/ (Cancelled)	Balance at 30.06.12	Total Vested	Total Exercisable
DIRECTORS							
David Prentice	3,000,000	-	-	(3,000,000)	-	-	-
Michael Fry	-	-	-	-	-	-	-
Bruce Miller	3,000,000	-	-	(3,000,000)	-	-	-
Perry Gilstrap	3,000,000	-	-	(3,000,000)	-	-	-
Steve Miller	600,000	-	-	(600,000)	-	-	-
	9,600,000	-	-	(9,600,000)	-	-	-

18. KEY MANAGEMENT PERSONNEL DISCLOSURES *(CONTINUED)*

(iii) Performance Rights Held By key management personnel

Details of performance rights issued as remuneration together with terms and conditions can be found in section D of the audited Remuneration Report of the Directors' Report.

The number of performance rights in the Company held during the financial year by each Director of Red Fork Energy Limited and other key management personnel, including their personally related parties, are set out below:

2013

	Balance at 01.07.12	Granted as Remuneration (i)	On Conversion of Rights	Cancelled	Balance at 30.06.13	Vested and Convertible
DIRECTORS						
David Prentice	3,000,000	-	(1,000,000)	-	2,000,000	-
Michael Fry	-	-	-	-	-	-
Bruce Miller	3,000,000	-	(1,000,000)	-	2,000,000	-
Perry Gilstrap	3,000,000	-	-	(2,000,000)	1,000,000*	1,000,000
Steve Miller	600,000	-	-	-	600,000^	600,000
William Warnock	-	-	-	-	-	-
Larry Edwards	-	-	-	-	-	-
EXECUTIVES						
Kevin Humphrey	-	1,570,000	-	-	1,570,000	-
Chris Girouard	-	1,570,000	-	-	1,570,000	-
Lee Francis	-	380,000	-	-	380,000	-
	9,600,000	3,520,000	(2,000,000)	(2,000,000)	9,120,000	1,600,000

(i) Issued pursuant to shareholder approval at the Annual General Meeting on 30 November 2011. For full details of the terms and conditions refer to Note 18 (e).

* As at the date of resignation, 18 February 2013

^ As at the date of resignation, 19 November 2012

2012

	Balance at 01.07.11	Granted as Remuneration (i)	On Conversion of Rights	Cancelled	Balance at 30.06.12
David Prentice	-	3,000,000	-	-	3,000,000
Michael Fry	-	-	-	-	-
Bruce Miller	-	3,000,000	-	-	3,000,000
Perry Gilstrap	-	3,000,000	-	-	3,000,000
Steve Miller	-	600,000	-	-	600,000
	-	9,600,000	-	-	9,600,000

18. KEY MANAGEMENT PERSONNEL DISCLOSURES *(CONTINUED)*

(d) Options issued as Part of Remuneration for the period ended 30 June 2013

No options were provided as remuneration and no shares were issued on the exercise of options during the financial year.

(e) Performance Rights issued as Part of Remuneration for the period ended 30 June 2013

No performance rights were issued to the directors and a total of 3,520,000 performance rights were issued to other executives during the financial year pursuant to the Performance Rights Plan approved in the Annual General Meeting held on 30 November 2011 (refer to Note 18 (c)(iii) for individual quantities granted).

During the financial year, all the Directors Performance Rights A (3,600,000 performance rights) were converted to shares.

Key Terms of Performance Rights

The Performance Rights entitle each holder to fully paid ordinary shares in the Company on achievement of the following milestones:

Performance Rights A

On the achievement of receipts from sales exceeding US$8 million per annum (measured for two consecutive fiscal quarters annualised) (Milestone). The Employees Performance Rights A shall expire at 5.00 pm (WST) on 26 October 2017 (Expiry Date).

Performance Rights B

On the achievement of receipts from sales exceeding US$16 million per annum (measured for two consecutive fiscal quarters annualised). The Directors Performance Rights B expire at 5.00 pm (WST) on 30 April 2016 (Expiry Date). The Employees Performance Rights B shall expire at 5.00 pm (WST) on 26 October 2017 (Expiry Date).

Performance Rights C

On the achievement of receipts from sales exceeding US$30 million per annum (measured for two consecutive fiscal quarters annualised). The Directors Performance Rights C shall expire at 5.00 pm (WST) on 30 April 2016 (Expiry Date). The Employees Performance Rights C shall expire at 5.00 pm (WST) on 26 October 2017 (Expiry Date).

In relation to the above Performance Rights Milestones, “receipts from sales” are currently defined as cash receipts in accordance with Red Fork’s quarterly cash flow report (Appendix 5B); and for the Performance Rights to validly vest with the holder, the directors are to remain an employee of the Company until three (3) months of the completion of the relevant Milestone being achieved prior to the Expiry Date (as defined above). Employees are required to remain in service from 1 for (A) 2 for (B) and 3 for (C) years following the Performance Rights grant date.

(f) Employment Contracts of Key Management Personnel

Mr. Bruce Miller, Mr. Kevin Humphrey, Mr. Chris Girouard and Mr. Lee Francis are permanent employees of the Company. Mr Lee Francis was a consultant for the US subsidiaries (provision of engineering services via Cimmaron Engineering Inc.) prior to his appointment as Executive Vice President of Operations on 18 January 2013.

Details of all employment contracts are contained within the Remuneration Report, Section I, Table 7.

Loans or Other Transactions

There are no loans or other transactions at the end of the current year or prior year to Directors or key management personnel of Red Fork Energy Limited.

19. SEGMENT INFORMATION

Management has determined, based upon the reports reviewed by the CEO and used to make strategic decisions, that the Group has one reportable segment being oil and gas exploration and production in the United States of America.

The CEO reviews internal management reports on a monthly basis that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the CEO to make strategic decisions.

(i) Major customers

The Group has three customers during the financial year to whom it sells its production. The most significant customer is Phillips 66 Company which accounts for 68% of external revenue. The next most significant sales customer is Seminole Energy Services LLC. which accounts for 15% of external revenue, followed by Sunoco Inc. which accounts for 6% of external revenue.

In 2012, the most significant customer was Sunoco Inc. which accounts for 38% (2011: 61%) of external revenue followed by Shell Trading USA Company which accounts for 33% of external revenue.

20. LOSS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted loss per share:

		As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Earnings used in calculation of basic and diluted earnings per share		(5,089)	3(6,254)
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	(i)	370,415,724	291,718,017

(i) Share options are not considered dilutive, as their impact would be to decrease the net loss per share.

21. RELATED PARTY DISCLOSURE

Ultimate Parent

Red Fork Energy Limited is the ultimate Australian parent Company.

Other Related Party Transactions

During the financial year ended 30 June 2013, Gas Lamp Consulting which is controlled by Jeff Gilstrap (Perry Gilstrap's son), provided information technology consulting services to the US subsidiaries and received fees totalled US$45,234. These were provided on normal commercial terms.

Steve Miller has an interest in Orion and Mid America Field Services, which received fees totalling US$556,242 from the US subsidiaries for engineering and drilling supervision services on normal commercial terms.

Cimmaron Engineering Inc., a company Mr Francis has an interest in, receives fees totalled US$51,871 for engineering services provided to the US subsidiaries. The fees were paid as part of Mr Francis's consultancy arrangement with the Company prior to being a permanent employee.

Other than those stated above and Note 18, there are no other related party transactions.

22. INTEREST IN SUBSIDIARIES

The following Company is a subsidiary of Red Fork Energy Limited.

Name	Country of Incorporation	Percentage of equity interest held by Consolidated Entity		Investment	
		2013 %	2012 %	2013 US$	2012 US$
Red Fork (USA) Investments, Inc.	USA	100%	100%	1,000	1,000
EastOK Pipeline LLC	USA	100%	100%	-	-

23. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	Year to 30 June 2013 US$'000	Year to 30 June 2012 US$'000
Amounts received or due and receivable by :		
- HLB Mann Judd- an audit of the financial report of the Company at the financial year end and half year review	52	51
- Hogan Taylor LLP- audit of subsidiary financial report and half year review	-	50
- Grant Thornton- audit at financial year end and half year review of subsidiary	91	20
Other Services:		
- Grant Thornton- taxation fees	33	-
	176	**121**

24. FINANCIAL INSTRUMENTS

(a) Financial risk management and risk policies

The Group's principal financial instruments comprise bank overdrafts, cash, short-term deposits and credit facilities. The main purpose of these financial instruments is to hold finance for the entity's operations. The entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the entity's financial instruments are cash flow, interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(b) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits and credit facility. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in these risks. The balance of debt as at 30 June 2013 was US$25 million (2012: nil) and is included in the Interest Rate Sensitivity Analysis below.

24. FINANCIAL INSTRUMENTS *(CONTINUED)*

Interest Rate Sensitivity Analysis

At 30 June 2013, if interest rates had been 2% higher or lower than the prevailing rates realised, with all other variables held constant, the effect on loss and equity as a result of changes in the interest rates would be as follows:

	2013 US$'000 Net Change	2012 US$'000 Net Change
CHANGE IN LOSS		
Increase in interest rate by 2%:		
AUD accounts	18	207
USD accounts	57	207
USD credit facility	(500)	-
	(425)	414
Decrease in interest rate by 2%:		
AUD accounts	(18)	(207)
USD accounts	-	-
USD credit facility	500	-
	482	(207)
CHANGE IN EQUITY		
Increase in interest rate by 2%:		
AUD accounts	18	207
USD accounts	57	207
USD credit facility	(500)	
	(425)	414
Decrease in interest rate by 2%:		
AUD accounts	(18)	(207)
USD accounts	-	-
USD credit facility	500	-
	482	(207)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(c) Net fair values of financial assets and liabilities

The net fair value of cash and cash equivalent and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximate their carrying values due to their short-term maturity.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The balances are not materially different from those disclosed in the statement of financial position of the Group.

24. FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Credit risk exposure

The Company's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the statement of financial position.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Trade accounts receivable are recorded at the invoiced amount. The Group does not have any off-balance-sheet credit exposure related to customers. Credit risk is managed on a Group basis. The credit risk of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, available-for-sale financial assets, as well as credit exposure to customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor's credit rating of A (or equivalent) are accepted.

The Group assesses credit risk and allowance for doubtful accounts on a customer specific basis. The Group's policy is to not grant long-term credit to customers and to deal only with customers well-known in the oil and gas industry and with sufficient financial capability to meet its obligations. During the year ended 30 June 2013, there were three major customers who accounted for 89% of the Group's total sales (refer to Note 19). Each of these customers is an oil or gas major, well-known in the industry and to management and management believes each customer to have sufficient financial capability. As of 30 June 2013 and 2012, the Group does not have an allowance for doubtful debt accounts.

The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentration of Credit Risk

One customer (Phillips 66 Company) accounted for 68% of the Group's oil and gas sales for the year ended 30 June 2013 (two customers accounted for more than 50% of total sales in 2012). However, receivables from that customer accounted for less than 30% of the total trade receivables as at 30 June 2013. (In 2012, two customers accounted for more than 50% of trade receivables). Loss of the major customer would severely impact the Company's operations.

(e) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate committed credit facility. The Group aims to maintain flexibility in funding to meet ongoing operational requirements and exploration and development expenditures by keeping a committed credit facility available.

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets.

	Interest Rate Payable	Less than 1 month US$'000	1 to 3 months US$'000	3 months to 1 year US$'000	1 to 5 years US$'000	Total US$'000
30 June 2013						
FINANCIAL LIABILITIES						
Interest bearing	3.25%	-	-	(25,000)	-	(25,000)
Non-Interest bearing	-	-	(35,042)	-	-	(35,042)
		-	(35,042)	(25,000)	-	(60,042)

24. FINANCIAL INSTRUMENTS *(CONTINUED)*

30 June 2012

FINANCIAL LIABILITIES					
Non-Interest bearing	-	(8,077)	-	-	(8,077)
	-	(8,077)	-	-	(8,077)

(f) Foreign exchange risk management

The Consolidated Entity undertakes its exploration and production transactions denominated in US currency. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not he functional currency of the Group. The Group deposits are denominated in both US and Australian dollars. Currently there are no foreign exchange hedging programs in place, however the Group treasury function manages the purchase of foreign currency to meet operational requirements. The impact of reasonably possible changes in foreign exchange rates for the Group is material and the Board recognises and manages this by maintaining adequate cash flow in the entity's US currency account.

(g) Foreign currency risk sensitivity analysis

At 30 June 2013, the effect on loss and equity as a result of 10% change in the value of the Australian Dollar to the US Dollar, with all other variable remaining constant would be as follows:

	2013 US$'000	2012 US$'000
CHANGE IN LOSS	**Net Change**	**Net Change**
Improvement in AUD by 10%	91	1,034
Decline in AUD by 10%	(91)	(1,034)
CHANGE IN EQUITY	**Net Change**	**Net Change**
Improvement in AUD by 10%	91	1,034
Decline in AUD by 10%	(91)	(1,034)

The above foreign currency sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(h) Capital Management

The Company's objectives when managing capital are to maintain an acceptable debt to equity ratio, safeguard the Group's ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Other than the covenants described in Note 12, the Group has no externally imposed capital requirements. Accordingly, the objective of the Company's capital risk management is to adjust its capital structure to meet the financial risks of the Group, and to respond to changes in these risks and in the market. These responses are achieved by maintaining appropriate liquidity to meet anticipated operating requirements, management of debt levels, distributions to shareholders and shareholder issues.

The strategy of the Group during the year was to maintain a minimum acceptable debt to equity ratio sufficient to meet its planned expenditure. At 30 June 2013 the Company had $25 million of outstanding debt.

25. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

26. EMPLOYEE BENEFITS

At 30 June 2013, Red Fork Energy had 31 employees (2012: 23).

Employee Incentive Option Plan

The Company has now ceased the use of share options.

In prior years, the Company had an Employee Incentive Scheme previously approved at the general meeting.

The plan provides for the Board to elect to offer options to an employee having regard to the potential contribution of the employee to the Consolidated Entity and any other matters the Board considers relevant.

Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the Rules of the Scheme, is the price determined by the Board and advised to the employee when Options are offered to the employee.

All options expire on the earlier of their termination date or 30 days following termination of the employee's employment. Options vest on granting, however exercise can be conditional upon the Consolidated Entity achieving certain performance hurdles as determined by the Board of directors.

There are no voting or dividend rights attaching to the options. There are no voting rights attaching to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

11,632,500 options have been issued under this scheme to date.

No options were issued during the financial year and no options are held by the key management personnel as at the balance date. A total of 501,000 options are held by the employees of the Company which are due to expire on 30 November 2014.

Performance Rights Plan

The Company has a Performance Rights Plan approved at the annual general meeting held on 30 November 2011.

The Red Fork Performance Rights Plan supersedes the former Red Fork Share Option Plan and enables the Remuneration Committee to grant performance rights to directors and executives (and employees). The current performance rights vest upon specified sales revenue targets; will convert into fully paid ordinary shares in the Company but do not have any value to the holder until the performance targets are achieved. Performance rights granted under the plan carry no rights to dividend or voting rights.

Performance Rights are valued at the prevailing share price at the time the performance rights are granted and are brought to account based upon probability of specified production targets being achieved.

A total of 12,850,000 performance rights were on issue at the reporting date of which 4,000,000 performance rights were issued to the directors and 8,850,000 performance rights were issued to other executives and employees. Refer to Note 18 (c)(iii) for performance rights issued to directors and executives as part of their remuneration.

27. SHARE BASED PAYMENT PLANS

Recognised Employee Share-Based Payment Expenses

The equity-settled share-based payment expense recognised in the statement of comprehensive income for employee services rendered is shown as below:

	2013 US$'000	2012 US$'000
Total expenditure arising from employee and director share-based payment transactions	3,511	1,612

Share Option Plan

Options were issued to directors and executives as part of their remuneration under the Company's Employee Incentive Option Plan as described in Note 18. The options were not issued based on performance criteria, but were issued to all directors of Red Fork Energy Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

The Company has now ceased the use of share options. The Red Fork Performance Rights Plan supersedes the former Red Fork Share Option Plan.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	CONSOLIDATED	
2013	**Number of Options**	**Weighted Average Exercise Price AUD**
Outstanding at beginning of the year	4,899,166	$0.76
Granted during the year	-	-
Exercised during the year	(95,000)	$0.02
Expired/cancelled during the year	(1,286,500)	$0.40
Outstanding at the end of the year	3,517,666	$0.64
Exercisable at the end of the year	3,517,666	

(i) The options outstanding at 30 June 2013 had a weighted average exercise price of A$0.64.

(ii) Options outstanding at 30 June 2012 had a weighted average remaining life of 0.7245 years.

(iii) 95,000 options were converted to shares in July 2012 at an exercise price of A$0.60.

(iv) 200,500 options issued to employees in prior years expired on 31 July 2012. 1,086,000 options issued to employees were cancelled during the year due to termination of employment.

27. SHARE BASED PAYMENT PLANS *(CONTINUED)*

2012	CONSOLIDATED Number of Options	Weighted Average Exercise Price AUD
Outstanding at beginning of the year	14,499,166	$0.71
Granted during the year	-	-
Exercised during the year	-	-
Cancelled during the year	(9,600,000)	$1.353
Outstanding at the end of the year	4,899,166	$0.76
Exercisable at the end of the year	4,899,166	

Performance Rights Plan

Performance rights were issued to directors and executives as part of their remuneration under the Company's Performance Rights Plan which was approved at the annual general meeting held on 30 November 2011 (refer to Note 18).

During the financial year, a total of 9,600,000 performance rights were issued to the employees of the Company, 3,600,000 director performance rights were exercised at a price of A$0.62 each and a total of 2,750,000 performance rights were cancelled due to cessations of employment. Performance rights issued to the key management personnel are disclosed in the Remuneration Report. A$2.23 million worth of performance rights issued to the directors were vested and converted to shares during the financial year.

A total value of A$5.14 million (2012: A$2.23 million) of performance rights issued will be allocated across the vesting period. The fair value of the performance rights granted was estimated as at the date of grant using the market value at that date, the probability of the relevant market conditions being met and the expected length of the vesting period. Refer to Note 14 (d).

28. PARENT ENTITY DISCLOSURES

Financial position

	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
Assets		
Current assets	1,058	19,851
Non-current assets	146,445	79,314
Total assets	**147,503**	**99,165**
Liabilities		
Current liabilities	174	214
Non-current liabilities	-	-
Total liabilities	**174**	**214**
Equity		
Issued capital	165,810	113,913
Accumulated losses	(26,796)	(21,553)
Reserves		
Foreign currency translation	5,122	4,239
Share-based payments	3,193	2,352
Total equity	**147,329**	**98,951**

Financial performance

	Year ended 30 June 2013 US$'000	Year ended 30 June 2012 US$'000
Loss for the year	(5,243)	(6,735)
Other comprehensive income	(543)	(152)
Total comprehensive income	**(5,786)**	**(6,887)**

29. SUBSEQUENT EVENTS

The Board of directors resolved to change the Company's financial year end date from 30 June to 31 December effective 1 July 2013 in accordance with section 323D(2A) of the Corporations Act 2001. The change has been made in order to align with the US subsidiary and peer companies operating in the US. The Company will have a six month transitional financial year beginning on 1 July 2013 and ending on 31 December 2013, and thereafter, the Company will revert to a twelve month financial year commencing on 1 January and ending 31 December.

On 12 July 2013, the Company announced its agreement with Euroz Securities Limited and Canaccord Genuity (Australia) Limited to act as Joint Lead Managers and Joint Bookrunners to a placement of 111 million new ordinary shares at an issue price of A$0.43 to qualified institutional and sophisticated investors, raising A$47.7 million (before costs of issue). The placement was not underwritten.

The placement shares were issued via two tranches, with 58 million shares issued on 18 July 2013 under the Company's available 15% capacity pursuant to ASX Listing Rule 7.1 and 53 million shares were approved by shareholders at an Extraordinary General Meeting held on 19 August 2013. The second tranche placement shares were issued on 20 August 2013.

On 30 June 2013, the Credit Facility was expanded to a total of US$100 million. The borrowing base was increased to US$35 million (of which US$25 million was drawn down as at the reporting date) at a variable interest rate until the final maturity date of 31 March 2014 ("Revolving Commitment A") with a maximum credit limit of US$90 million for the purpose of continuing development of drilling programs in the Mississippi lime play. In addition, a supplemental US$10 million revolving line of credit facility ("Revolving Commitment B") at a fixed interest rate of 8% was also established for the purpose of using financial hedge products purchased through the Swap Counterparty to provide price protection for Red Fork's oil and natural gas production in accordance with an ISDA Agreement between the Swap Counterparty and Red Fork.

Red Fork initiated its crude oil hedging program in July 2013. The Company sold West Texas Intermediate ("WTI") swaps at an average price of US$101.23 per barrel for the period of August, increasing to 20,000 barrels per month to December 2013 at an average price of US$102.32 per barrel. The Company is also in contract to sell 20,000 barrels per month of calculated average WTI swaps at an average price of US$98.60 per barrel from January to March 2014. The Company is looking to maintain and add to this program in the future in an effort to provide an appropriate level of protection to future cash flows in the event of lower crude pricing.

The Directors are not aware of any other matter or circumstances that has arisen since 30 June 2013 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

30. COMMITMENTS FOR EXPENDITURE

The mineral leases in the exploration prospects in the USA have primary terms ranging from 3 years to 5 years and generally have no specific capital expenditure requirements. However, mineral leases that are not successfully drilled and included within a spacing unit for a producing well within the primary term will expire at the end of the primary term unless re-leased.

As at the reporting date, there are no capital expenditure commitments. All drilling contracts are short term and for a few wells at a time.

	CONSOLIDATED	
	As at 30 June 2013 US$'000	As at 30 June 2012 US$'000
The Company leases office facilities under a long-term lease agreement:		
Within one year	232	165
After one year but not more than five years	607	639
More than five years	-	-
	839	**804**

Directors' Declaration

1. In the opinion of the directors of Red Fork Energy Limited (the 'Company'):
   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year then ended; and
      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

This declaration is signed in accordance with a resolution of the Board of Directors.

Mr David Prentice
Chief Executive Officer

30th September 2013

Independent Auditor's Report

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Red Fork Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Red Fork Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Red Fork Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Red Fork Energy Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

M R W Ohm
Partner

Perth, Western Australia
30 September 2013

Additional Shareholders' Information

Additional Shareholders' Information *continued*

A. CORPORATE GOVERNANCE

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period is detailed following the Director's Report.

B. SHAREHOLDING

1. Substantial Shareholders

The names of the substantial shareholders listed on the Company's register as at 12 September 2013:

Name	Number of shares
NATIONAL NOM LTD	87,594,265
JP MORGAN NOM AUST LTD	53,228,936
RBC INVESTOR SVCS AUST NOM	47,078,114
CITICORP NOM PL	44,493,384
HSBC CUSTODY NOM AUST LTD	41,704,558
PROSPECT CUST LTD	27,038,334

2. Unquoted Securities

Class of Equity Security		Number	Number of Security Holders
30 June 2014 option -	$0.65	1,600,000	3
30 June 2014 option -	$0.35	708,333	3
30 June 2014 option -	$0.45	708,333	3
30 November 2014 option -	$1.20	501,000	5
Performance Rights B – Directors		2,000,000	2
Performance Rights C – Directors		2,000,000	2
Performance Rights A – Employees		2,030,000	21
Performance Rights B – Employees		3,410,000	23
Performance Rights C – Employees		3,410,000	23

Names of persons holding greater than 20% of a class of unquoted securities:

Class of Equity Security	Number	Holder
30 June 2014 option - $0.35	187,500	Michael Hynes
30 June 2014 option - $0.35	333,333	EAS Advisors LLC
30 June 2014 option - $0.35	187,500	Prals Pty Ltd
30 June 2014 option - $0.45	187,500	Prals Pty Ltd
30 June 2014 option - $0.45	187,500	Michael Hynes
30 June 2014 option - $0.45	333,333	EAS Advisors LLC
30 June 2014 option - $0.65	480,000	Sabah & Sapi Pty Ltd
30 June 2014 option - $0.65	880,000	PJS Marketing Pty Ltd
Performance Rights B – Directors	1,000,000	David Prentice and related party
Performance Rights B – Directors	1,000,000	Bruce Miller and related party

Additional Shareholders' Information *continued*

2. Unquoted Securities *(Continued)*

Performance Rights C – Directors	1,000,000	David Prentice and related party
Performance Rights C – Directors	1,000,000	Bruce Miller and related party
Performance Rights B – Employees	690,000	Kevin Humphrey
Performance Rights B – Employees	690,000	Christopher Girouard
Performance Rights C – Employees	690,000	Kevin Humphrey
Performance Rights C – Employees	690,000	Christopher Girouard

3. Number of holders in each class of equity securities and the voting rights attached

There are 1,874 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

On a show of hands every shareholder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

4. Distribution schedule of the number of holders in each class of equity security as at 12 September 2013.

By Class	Holders of Ordinary Shares	No. Of Ordinary Shares	%
1-1,000	252	73,098	0.01%
1,001 - 5,000	319	967,577	0.19%
5,001 – 10,000	278	2,285,443	0.46%
10,001 - 100,000	751	28,109,041	5.63%
100,001 and over	274	468,116,560	93.71%
TOTALS	1874	499,551,719	100.00%

5. Marketable Parcel

There are 69 shareholders with less than a marketable parcel.

6. Restricted Securities

The Company has no restricted securities at the current date.

7. Twenty largest holders of each class of quoted equity security

The names of the twenty largest holders of quoted equity security, the number of equity security each holds and the percentage of capital each holds (as at 12 September 2013) is as follows:

Ordinary Shares

Name	No. Of Ordinary Shares	%
NATIONAL NOM LTD	87,594,265	17.53%
JP MORGAN NOM AUST LTD	53,228,936	10.66%
RBC INVESTOR SVCS AUST NO	47,078,114	9.42%
CITICORP NOM PL	44,493,384	8.91%
HSBC CUSTODY NOM AUST LTD	41,704,558	8.35%
PROSPECT CUST LTD	27,038,334	5.41%
GHIRARDELLO LUIGI	20,089,233	4.02%
BNP PARIBAS NOMS PL	16,860,991	3.38%
UBS NOM PL	12,760,037	2.55%
HEALY ROBERT ANTHONY	11,940,785	2.39%
JKH INV PL	6,200,000	1.24%
BOND STREET CUSTS LTD	5,550,043	1.11%
WARBONT NOM PL	4,982,103	1.00%
ZERO NOM PL	3,913,155	0.78%
QIC LTD	3,522,192	0.71%
PRENTICE DAVID	2,747,441	0.55%
PITT STREET ABSOLUTE RETURN FUND	2,400,000	0.48%
MARIE SCODELLA & ASSOC PL	2,326,915	0.47%
WALLOON SEC PL	2,078,660	0.42%
ESCOR INV PL	2,000,000	0.40%
TOTAL	398,509,146	79.78%

8. Lease Schedule

Lease Location	Acres	Working Interest	Average Net Revenue Interest
Grant County, Oklahoma	4,980	100%	81.25%
Kay County, Oklahoma	6,115	100%	80.53%
Noble County, Oklahoma	20,105	100%	81.39%
Pawnee County, Oklahoma	14,088	100%	81.43%
Payne County, Oklahoma	29,642	100%	82.85%
Wagoner County, Oklahoma	10,248	100%	80.00%

Glossary and Definitions

1P Reserves	Proved reserves which have at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
2P Reserves	proved plus probable reserves which have at least a 50% probability that the quantities actually recovered will equal or exceed the estimate.
3P Reserves	proved plus probable plus possible reserves which have at least a 10% probability that the quantities actually recovered will equal or exceed the estimate.
1CR (Contingent Resources)	Contingent resources are those quantities of hydrocarbon estimated, as of a given date, to be potentially recoverable from known accumulations which may be available for extraction, but do not meet the Securities and Exchange Commissions to be classified as reserves. Contingent resources are often recognized in areas where new technologies are being used to extract hydrocarbons where older technologies did not effectively recover available hydrocarbons.
ADR	American Depository Receipt quoted on OTCQX International.
AUD/A$	Australian currency.
BO	Barrel of oil.
BOE	Barrel of oil equivalent. The factor used to convert gas to oil equivalent is based upon an approximate energy value of 6,000 cubic feet per barrel and not price equivalent at the time.
EUR's	Estimated Ultimate Recoveries.
Group	Parent entity and its subsidiaries.
GST	Goods and services tax.
HBP	HBP Program means the "Held by Production" drilling program.
LTI	Long term incentives.
MBOE	Thousand barrels of oil equivalent.
MMBOE	One million barrels of oil equivalent.
MCF	One thousand standard cubic feet of natural gas.
NPV10/PV10	The net present value at a 10% discount is net to Red Fork and its post royalties and taxes (other than corporate taxes) and includes capital and operational cost estimates.
OTCQX International	OTCQX International is the premium tier of the United States Over-the-Counter (OTC) marketplace, which gives non-US companies access to US investors without duplicative regulatory costs required of listing on a traditional US exchange.
PDP reserves	Proved developed producing reserves.
Proved reserves	Proved reserves can be estimated with reasonable certainty to be recoverable under current economic conditions. Current economic conditions include prices and costs prevailing at the time of the estimate. Proved reserves may be developed or undeveloped.
STI	Short term incentives.
USD/US$	United States currency.
WI	Working interest.

Corporate Directory

Non-Executive Chairman
Michael Fry

Chief Executive Officer
David Prentice

Executive Director Resources
Bruce Miller

Non-Executive Directors
William Warnock
Larry Edwards

Chief Financial Officer
Kevin Humphrey

Chief Operating Officer and President of Red Fork (USA) Investments, Inc.
Chris Girouard

Executive Vice President of Operations
Lee Francis

Company Secretary
Suzie Foreman

Registered Office - Australia
Level 2
79 Hay Street
SUBIACO WA 6008
Telephone: +61 8 9200 4470
Facsimile: +61 8 9200 4475

US Operations Office
1437 South Boulder,
Suite 700, Tulsa,
Oklahoma 74119
Phone +1 (918) 270 2941
Fax +1 (918) 828 9652

Auditors
HLB Mann Judd
Chartered Accountants
Level 4, 130 Stirling Street
PERTH WA 6000

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Securities Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Codes: Ordinary shares RFE

OTCQX International
OTC Codes: RDFEY
1 ADR = 10 Ordinary Shares RFE

Bankers
The F&M Bank and Trust Company
P.O. Box 4500 Tulsa, OK 74159

Bank of Oklahoma
Bank of Oklahoma Tower
P.O. Box 2300 Tulsa, OK 74192

Commonwealth Bank of Australia
150 St Georges Terrace
Perth WA 6000

Website
www.redforkenergy.com.au

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