



## Red Fork Energy Limited

2013 Annual General Meeting

### CEO Address to Shareholders

Thank you for joining us this morning and attending the Annual General Meeting.

I wanted to start out by acknowledging that it has been a difficult year for shareholders.

Red Fork invested heavily in its operational capability and its Oklahoma assets in the last 18 months. This required extensive use of available funding and this was reflected in our cash flow statements and on our balance sheet. Unfortunately, and perhaps understandably, the market focused on the latter in what has been a capital constrained environment for resources companies in Australia.

Notwithstanding this, Red Fork's investments during the period are in line with our long term growth strategy, and your Board and senior management team remained focused on delivering the benefits of these to shareholders. We have made strong progress in a number of important areas, which I will briefly outline today.

#### **Board renewal process**

Since the last Annual General Meeting the Board has been advancing a process of continuous review of the skills and composition of its members. Pleasingly this has resulted in the appointment of Mr. Warnock and Mr. Edwards to the Board as independent non-executive directors.

Your Board is now working to further expand and enhance its composition and plans to appoint two additional independent non-executive directors in the immediate future. Mr. Warnock as Chairman of the Nomination Committee is overseeing this process and is leading the search for the new directors.

#### **Reviewed remuneration policy**

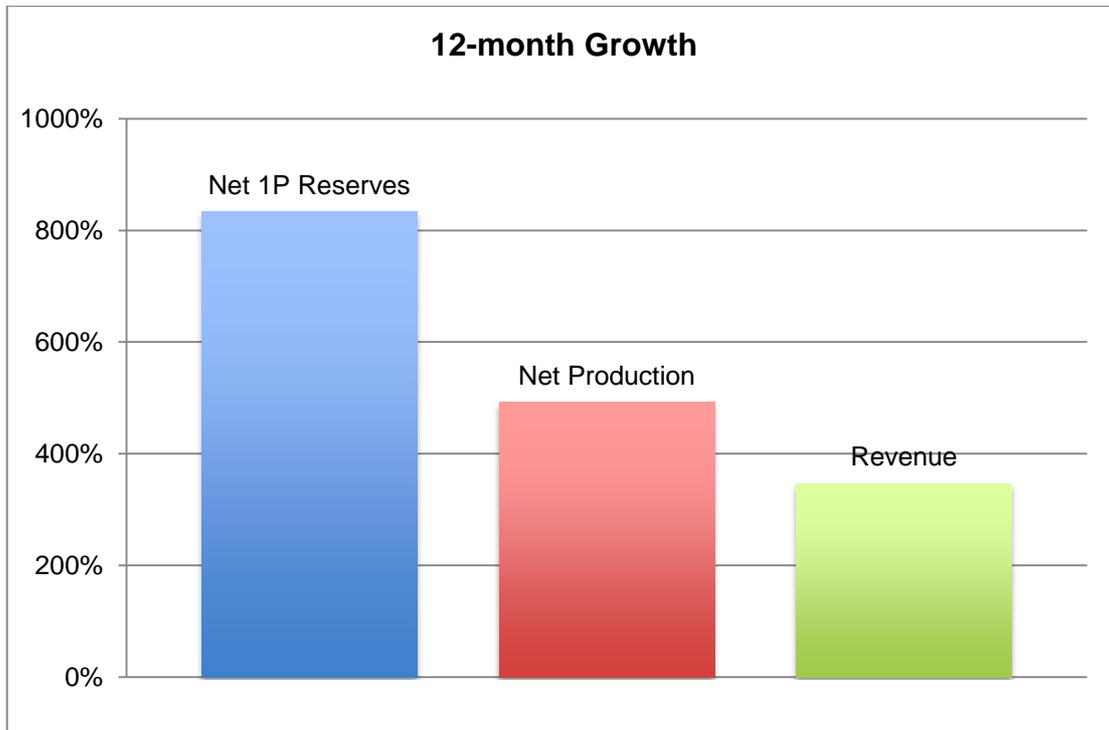
Your Board also responded proactively to feedback on the Company's remuneration practices with a full review (using external consultants) of the Company's Long Term and Short Term Incentive programs. We invested significant resources in this process, resulting in the delivery of the new plans and frameworks outlined in this year's annual report. We are very encouraged that the Proxy Advisors that advise our institutional shareholders recognized this work favorably.

#### **Growing operational capabilities**

In addition, we continued to direct our efforts toward a significant expansion and strengthening of our team in Oklahoma across all areas, from operations to geology, land and finance. We now have a strong team of 36 full-time employees with very significant oil and gas exploration and production experience based in our head office in Tulsa.

This successful transformation from a leasing and exploration company to a development and production company provided the platform for the growth that we have seen during 2013. We are also pleased that our efforts to drive execution and productivity in the field have been rewarded with some outstanding results during the year.

- ✓ Net 1P reserves for the Mississippian/Woodford acreage increased 830% to ~10Mmboe
- ✓ Quarterly sales increased 347% to ~\$10 million at the end of the September quarter
- ✓ Net production increased by 490% to ~2,000 boe per day as at the end of October 2013
- ✓ 12-month average spud-to-spud days down to 26-day (21-days for the last 6 months)
- ✓ 12-month average spud-to-sales days down to 55-days (42-days for the last 6 months)



We have also made significant progress in the evolution of our well bore and stimulation designs and in production management. These efforts are continuing and are seen as crucial for the further enhancement of the already robust economics of the Mississippian/Woodford acreage.

I would like to congratulate and thank our team in Oklahoma for their efforts during the year and we look forward to a continued strong performance into 2014 and beyond.

#### **Funding**

Importantly, we were able to fund growth during the year with a mix of debt and equity, culminating recently in the successful closing of our \$150 million facility with Guggenheim Partners. We see the borrowing capacity generated by our development in the Mississippian/Woodford acreage (in a relatively short time frame) as a very strong endorsement of the quality of both the assets and the management team.

#### **Hold By Production (HBP) strategy is well advanced**

In terms of the Company's HBP Strategy I wanted to use today's address to highlight how much we have already achieved and what flexibility we have in the forward program.

Following the very active drilling program in 2013, the Company is now on target to hold 49% of its operated Mississippian/Woodford acreage by production by year-end.

Importantly, we are also very well placed to meet future HBP commitments, with only a further 28 wells required to be drilled in 2014 to meet the Company's lease expiry schedule and to increase our HBP holding to approximately 73% of operated acreage. The majority of the Company's remaining operated acreage has lease term to 2016 and beyond.

Your Company has also invested significantly in infrastructure to support current and future Mississippian/Woodford development. To date we have invested approximately US\$40 million in produced water disposal, gas gathering and electric power infrastructure. This infrastructure already supports 92 primary horizontal production well locations and almost 400 total horizontal wells in full field development.

Infrastructure already constructed includes nine produced water disposal sites, 36 miles of natural gas pipeline, 30 miles of pipeline for produced water and 30 miles of electric power lines.

The advanced progress on the HBP drilling schedule and the significant investment in infrastructure provides the Company with considerable flexibility in capital deployment through 2014 and beyond.

## **Outlook**

Finally, I wanted to leave you with some commentary around the future of your Company.

The capital we have already deployed and continue to commit to the development of the Mississippian/Woodford acreage to hold it by production is an investment in the proposition that we can unlock the ~\$25,000/acre or more in net present value we recognize in the acreage. On an Enterprise Value/acre basis the market is currently valuing the Company's Mississippian/Woodford acreage at less than ~\$3,600/acre.

Whilst important, cash flow from increased production is not the only measure of our success. Our ability to continue to grow reserves (through ongoing development and the continued refinement of our drilling and completion methods) is critical. The borrowing capacity that this growth in reserves creates, combined with increasing cash flow provides us with working capital flexibility to progress the HBP program and to ultimately unlock the value in the acreage position.

Thank you,

-ENDS-

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## **Forward Looking Statements**

This announcement contains "forward-looking statements". Such forward-looking statements include, without limitation: estimates of future earnings, the sensitivity of earnings to oil & gas prices and foreign exchange rate movements; estimates of future oil & gas production and sales; estimates of future cash flows, the sensitivity of cash flows to oil & gas prices and foreign exchange rate movements; statements regarding future debt repayments; estimates of future capital expenditures; estimates of reserves and statements regarding future exploration results and the replacement of reserves; and where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to oil and gas price volatility, currency fluctuations, increased production costs and variances in reserves or recovery rates from those assumed in the company's plans, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes. For a more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this release, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.