ASX Announcement
September 12, 2014

Red Fork Energy Limited
ACN 108 787 720

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Contact

David Prentice
Managing Director
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Website

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Directors

Michael Fry (Chairman)
David Prentice (Managing Director)
Bill Warnock (Non Exec. Director)
Larry Edwards (Non Exec. Director)
David Colwell (Non Exec. Director)

Executive Management

Chris Girouard (President & COO)
Kevin Humphrey (Chief Financial Officer)
Lee Francis (Exec. VP Operations)
Suzie Foreman (Company Secretary)

Listings

RFE.AX (Fully Paid Ordinary Shares)
RDFEY.OTCQX (1 ADR = 10 FPO's)

About Red Fork Energy

Red Fork Energy is an Australian domiciled publicly traded oil and gas producer and explorer, with assets and operations in Oklahoma.

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

First Half Year 2014 Financial Report

Red Fork Energy Limited (ASX:RFE, OTCQX:RDFEY, Red Fork or the Company) is pleased to release its First Half Financial Report for the six month period ending 30 June 2014. This is the first interim report since the Company changed its financial year end to align with its subsidiaries and peer group companies operating in the United States.

Highlights – revenue and earnings growth despite the reduced development activity during the period

Revenue and production: Operating revenue for the six month period was US$28.5 million. In addition, the Company received $10.7 million from the sale of undeveloped acreage during the period. The operating revenue performance compares to US$26.0 million for the six months ended 31 December 2013 and US$12.2m for the six months ended 30 June 2013. This was achieved on volume growth despite a significant reduction in development activity during the period. The Company produced and sold 218,930 barrels of oil and 1,203,187 MCF of gas during the period compared to 203,277 barrels of oil and 470,203 MCF of gas for the six months ended 31 December 2013, and 98,469 barrels of oil and 330,433 MCF of gas for the six months ended 30 June 2013.

Positive EBITDA: Red Fork generated EBITDA of US$15.3 million for the six month period. This represented an improvement of $5.2 million on the US$10.1 million generated in the six months to 31 December 2013. EBITDA for the six month period to 30 June 2013 was US$0.2 million.

Balance Sheet: Red Fork has drawn down US$100m of its secured term loan as at 30 June 2014. With the commencement of the Company's strategic review process and the subsequent reduction in development expenditure, Red Fork obtained waivers for anticipated breaches of its quarterly covenant reporting obligations. It is the Company's intention to repay the secured loan following the conclusion of the current strategic review and no further waivers have been sought past 30 September 2014. The secured loan has therefore been re-classified on the balance sheet from non-current to current resulting in a working capital deficit being reported.

Strategic Review Process: In April 2014 Red Fork announced a strategic review of the Company's asset base to determine how it can best be monetised or proactively developed. The Company engaged US and Australian advisors to assist in the process and has now completed a comprehensive marketing campaign with presentations and discussions with prequalified interested parties. As at the date of the Half Year Report, Red Fork can confirm it has received a number of non-binding indicative proposals. Based upon feedback received from its US advisors, the Company believes that one of these will conclude in a refinancing or asset sale / restructure which will facilitate the repayment of the secured loan principal and fees and the outstanding trade creditors, and provide the Company with sufficient working capital to continue to develop its oil and gas assets.

-ENDS-

For Enquiries:
Investors
David Prentice
Managing Director
Red Fork Energy Limited
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Forward Looking Statements

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

Red Fork Energy Limited
(ABN 15 108 787 720)

Half-Year Report

30 June 2014

CORPORATE DIRECTORY

Non-Executive Chairman

Michael Fry

Managing Director

David Prentice

Non-Executive Directors

William Warnock

Larry Edwards

David Colwell

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

Registered Office – Australia

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Auditors

Grant Thornton Audit Pty Ltd

Level 1, 10 Kings Park Road

WEST PERTH WA 6005

Share Registry

Security Transfer Registrars Pty Ltd

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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

Guggenheim Partners, LLC

227 W Monroe St,

Chicago, IL 60606

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

CONTENTS

DIRECTORS' REPORT

The directors of Red Fork Energy Limited ("the Company" or "Red Fork") present their report and the financial statements for the half-year ended 30 June 2014. The dollar figures are expressed in US currency and to the nearest thousand unless otherwise indicated. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Board of Directors

Michael Fry	Non-Executive Chairman
David Prentice	Managing Director (Chief Executive Officer)
William Warnock	Non-Executive Director
Larry Edwards	Non-Executive Director
David Colwell	Non-Executive Director (appointed 1 January 2014)

FINANCIAL REVIEW

Operating and financial results

The results for the six months ended 30 June 2014 reflect the first interim period since the Company changed its financial year end to 31 December to align with its subsidiaries and peer group companies operating in the United States. In the six month period to 30 June 2014, oil and gas sales revenue totalled US$28.5 million, (US$26 million for the 6 months ended 31 December 2013 and US$12.2 for the 6 months ended 30 June 2013).

Red Fork Energy Limited recorded a net loss after tax of US$1.3 million for the half-year (loss of US$0.7 million for the 6 months ended 31 December 2013 and loss of US$9.9 million for the 6 months ended 30 June 2013). Gross profit for the half-year was US$15.6 million (US$19.8 million for the 6 months ended 31 December 2013 and US$7.7 million for the 6 months ended 30 June 2013).

Volume: On a net revenue interest basis, Red Fork produced and sold 218,930 BO of oil and 1,203,187 MCF of gas during the period, compared to 203,277 barrels of oil and 470,203 MCF of gas for the 6 months ended 31 December 2013, and 98,469 barrels of oil and 330,433 MCF of gas for the 6 months ended 30 June 2013.

Price: Average prices received for the reporting period were US$99.32 per barrel of oil (US$101.03 per barrel for the 6 months ended 31 December 2013 and US$93.12 per barrel for the 6 months ended 30 June 2013); and US$5.06 per MCF of gas (US$4.38 per MCF for the 6 months ended 31 December 2013, and US$4.12 per MCF for the 6 months ended 30 June 2013).

REVIEW OF OPERATIONS

Red Fork Energy Limited ("RFE", "Red Fork" or the "Company") 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 Mississippi Lime / Woodford Shale oil and fluid rich gas play ("the Big River Project).

Big River Project - 2014 Forward Development Plan

Big River continued to be the key focus of the Company with a review of the Forward Development Program conducted in respect of the Big River Project during the half year period.

Consistent with the Company's Long term growth strategy, the development plan in 2013 focused on production growth and advancing the Held By Production ("HBP") strategy. 38 wells were drilled and approximately US$40 million was deployed on supporting infrastructure development, with the result that approximately 50% of the operated acreage was held by production by year-end. Year on year, the program delivered over 350% growth in sales, 250% growth in production, and increased Group 3P reserves value (NPV10) by US$274 million to US$491 million.

The significant growth in reserves, production, sales and the progress of the HBP strategy had not translated into equity value for shareholders. The Board considered the capital demands of the Company's large acreage position, and the funding constraints posed by the current market capitalization, debt levels, and the Company's relatively high cost of capital. As a consequence it concluded that the additional capital required to reach self-sustaining cash flow could not reasonably be sourced from further conventional debt or equity. The 2014 program was therefore approached with the plan to reduce expenditure levels while protecting the value of the assets.

Key elements of the plan included:

1. **Realignment of capital expenditure**: Development expenditure to be strictly matched with current capital availability, principally operating cash flow and potentially further non-core asset sales.

2. **Asset preservation**: Development expenditure to incorporate the HBP strategy when funding is available and where appropriate to preserve the reserve base as far as possible. Lease renewals and extensions are to be obtained where this is not the case. The Board did not commit to any further material expenditure on infrastructure to support current production or short-term development.

3. **Unlocking asset value**: In light of these circumstances, the Board commenced a wide ranging strategic review of the Company's asset base to determine how it could best be monetized or proactively developed. This considered, among other things, possible transactions at the asset level, partnership and joint venture level, and at the overall corporate level.

Strategic Review Process

The structured process was conducted with the appointment of US advisors and Petro Capital Securities, LLC ("Petro Capital"), an energy focused investment bank based in Dallas, Texas. Petro Capital was engaged in early May as the Company's US advisor to facilitate the Company's asset monetization marketing effort. Euroz Securities Limited was also appointed by the Board as the Australian advisor to evaluate potential transactions at the corporate level, and to provide an independent view on asset transactions requiring shareholder approval.

This resulted in the Company undertaking a marketing campaign with presentations and discussions with prequalified interested parties.

As at the date of this report, the Company has received a number of non-binding indicative proposals and the directors, based upon feedback received from the Company's US advisor, believe that one of these will conclude in a refinancing or asset sale / restructure which will facilitate the repayment of the Company's secured term loan outstanding principal and fees, outstanding trade creditors, and provide the Company with sufficient working capital to continue to develop its oil and gas assets on a going concern basis.

As previously indicated to the market, the Board believes it is in the best interests of shareholders to conduct the process on a confidential basis and does not anticipate being in a position to provide further information until the process is complete.

Development activity during the second quarter of the half year period was therefore limited to very minor capital expenditure associated with the final build out of pipeline infrastructure to service existing production and sustaining capital and all surplus cash flow was directed to reducing payables.

Debt Reclassification

In November 2013 Red Fork (USA) Investments, Inc., a wholly owned subsidiary of the Group, entered into a credit agreement with Guggenheim Partners, LLC ("Guggenheim") of up to US $150 million secured term loan ("Secured Loan"). At December 31, 2013, the Group had borrowed $100 million under the Secured Loan. Under the terms of the credit agreement, the Group has quarterly covenant reporting obligations, and the Group was in compliance with these covenants at 31 December 2013.The Group anticipated it would be in breach of certain covenants as of 31 March 2014 and 30 June 2014 and accordingly obtained waivers from Guggenheim in respect of those anticipated breaches as of that date, effective until 30 September 2014. There is no certainty that the Group will be able to obtain further waivers beyond this date.

If the Group is unable to obtain waivers beyond 30 September 2014, the loan is not repaid or the terms of the loan varied, then a breach of the terms of the Secured Loan would occur. If the breach is not remedied within 30 days of the breach then an event of default under the loan agreement would occur, and Guggenheim would have the right to request the full loan principal and any outstanding fees and interest be repaid upon demand.

The waivers have been sought to coincide with the intended conclusion of the Strategic Review Process, to allow the implementation of a process with the aim of resulting in a transaction that will ultimately see the assets of the Company monetized or proactively developed. Given that a waiver has not been obtained by the Company up to the June 2015 reporting period, the debt has been reclassified on the balance sheet from non-current to current.

Notwithstanding the circumstances detailed above however, the Board based upon feedback received from the Company's US advisor, has reasonable grounds to believe that the Company will execute a binding term sheet for a successful transaction at the conclusion of the Strategic Review Process and prior to 30 September 2014. In the alternative, the Company will seek to obtain further waivers in respect of any anticipated breaches as at 30 September 2014 for a period of time sufficient to enable the Company to conclude a transaction which will enable the repayment of the loan.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 January 2014, the Board of Red Fork Energy Limited approved the issue of 9,546,062, 2014 Long Term Incentive Rights (2014 LTI Rights) to its executives and employees, pursuant to Red Fork Long Term Incentive Plan approved by the shareholders on 29 November 2013.

On 1 April 2014, the Company announced the closure of sale of selected undeveloped acreage from its larger Mississippian/Woodford holdings in the Big River Project. The purchaser acquired approximately 7,400 acres and associated seismic rights from the Company's wholly owned subsidiary Red Fork (USA) Investments, Inc. for a cash consideration of US$11 million (before costs).

On 8 April 2014, the Company announced its finalisation of the review of the 2014 Forward Development Program for the Big River Project. The review of the 2014 Forward Development Program was undertaken in the context of the Group Estimated Net Reserves (and the Group NPV10 value) as of 31 December 2013; the HBP drilling schedule; and the current market capitalisation of the Company.

On 10 April 2014, the Company announced its Farm-out Agreement with Blue Quail Ltd, covering up to 160 acres in Noble County in Oklahoma. The primary zone of interest is the Cleveland Sandstone. Blue Quail has now drilled a vertical test well in Noble County and set pipe on the well and will attempt a completion in September quarter. Based on oil shows and log analysis, four zones appear to be oil productive.

EVENTS SUBSEQUENT TO REPORTING DATE

A reserve certification as at 30 June 2014 was carried out by Lee Keeling & Associates, Inc. ("Lee Keeling") to review and update the Company's holdings in Oklahoma. The certificate dated 15 August 2014 includes volumes associated with the Mississippi Lime formation and reserves and resources associated with Red Fork's West Tulsa, Osage and Eastern Oklahoma oil and gas projects as well as any potential volumes associated with the Woodford Shale.

Lee Keeling are petroleum consultants based in the United States with offices in Tulsa and Houston. Lee Keeling 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.

The following summary outlines the gross and net reserves and net present values in Red Fork leases located in Oklahoma as at 30 June 2014.

Oil and Gas Projects

Group Net Reserves As at 30 June 2014	Oil (mmbl)[1] Net	Gas (bcf)[1] Net	mmboe[1] Net	NPV(10)[2] US$mm
Proved (1P)	10.8	74.9	23.3	293
Proved plus probable (2P)	16.6	108.3	34.6	385
Proved plus Probable plus Possible (3P)	19.9	126.2	41.0	446
Contingent Resources	8.0	46.6	15.8	127
TOTAL (3P plus Contingent Resources)	27.9	172.8	56.8	573

Notes:

1. Million (“mm”) barrels of liquids and billion (b) cubic feet of gas. The equivalent barrels (“boe”) has been calculated on a simple 6:1 ratio.
2. The NPV(10) net present value at a 10% discount is net to Red Fork and is post royalties and taxes (other than corporate taxes) and includes capital and operational cost estimates.

The economic model used to establish the net present value for the above reserves uses SEC pricing, based on a constant price of US$101.23 per barrel for oil and a gross price of US$4.25 per MCF for gas held constant over the life of the evaluation. Differentials were used to adjust the gas price for the liquids yield contained in high BTU gas. Big River drilling and completion costs per horizontal Mississippian well were estimated at US$3.17 million, with costs per standard length (640-acre spaced) horizontal Woodford well estimated at US$2.9 million. Drilling and completion costs per extended length (1280-acre spaced) horizontal Woodford wells were estimated at US$4.2 million.

Other than disclosed in the Review of Operations above, the Directors are not aware of any other matter or circumstance that has arisen since 30 June 2014 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.

ROUNDING OFF AMOUNTS

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

COMPETENT PERSONS STATEMENT

The information in this report that relates to oil and gas reserves is extracted from the ASX Release entitled “2014 Mid-Year Reserves Report” announced on 21 August 2014 and it is available to view on the ASX website (ASX:RFE), and the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

AUDITOR’S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Grant Thornton Audit Pty Ltd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the following page and forms part of this directors’ report for the half-year ended 30 June 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

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David Prentice
Managing Director

Dated this 14th day of September 2014

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Auditor's Independence Declaration
To The Directors of Red Fork Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Red Fork Energy Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 14 September 2014

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
Revenue	2	28,531	12,175
Cost of sales	2	(12,962)	(4,427)
Gross profit from operations		15,569	7,748
Other revenue	2	8,996	161
Amortisation, depreciation, depletion and rehabilitation expense		(11,302)	(10,019)
Administration and other expenses	2	(2,274)	(1,555)
Exploration expenses		(31)	(1,749)
Employment expenses		(2,892)	(2,662)
Equity based payments		(1,206)	(1,720)
Finance costs		(6,101)	(140)
Loss on hedging		(2,054)	-
Loss before income tax expense		(1,295)	(9,936)
Income tax expense		-	-
Loss for the period		**(1,295)**	**(9,936)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations and other comprehensive income /(loss) for the period		60	(604)
Other comprehensive income/(loss) for the period net of tax		60	(604)
Total comprehensive loss for the period		**(1,235)**	**(10,540)**
Basic and diluted loss per share (cents per share)		(0.26)	(2.57)

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	Consolidated 30 June 2014 US$'000	 31 December 2013 US$'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	6,596	34,790
Trade and other receivables	4	7,612	9,352
Derivative financial instruments		-	10
Other assets		1,913	3,005
Total Current Assets		16,121	**47,157**
Non-Current Assets			
Exploration and evaluation expenditure	5	15,675	19,131
Development and production assets	6	210,474	190,582
Plant, equipment and pipeline	7	43,006	42,607
Other assets		573	466
Total Non-Current Assets		**269,728**	**252,786**
Total Assets		**285,849**	**299,943**
LIABILITIES			
Current Liabilities			
Trade and other payables		23,144	39,507
Interest-bearing loans and borrowings	8	95,162	-
Derivative financial instruments		1,300	-
Other financial liabilities		11	10
Total Current Liabilities		**119,617**	**39,517**
Non-Current Liabilities			
Interest-bearing loans and borrowings	8	-	94,373
Derivative financial instruments		124	-
Provisions		489	405
Total Non-Current Liabilities		**613**	**94,778**
Total Liabilities		**120,230**	**134,295**
Net Assets		**165,619**	**165,648**
EQUITY			
Issued capital	9	208,000	208,000
Reserves	10	6,793	6,076
Accumulated losses	11	(49,174)	(48,428)
Total Equity		**165,619**	**165,648**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2014

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Translation Reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2014	208,000	(48,428)	5,386	690	165,648
Loss for the period	-	(1,295)	-	-	(1,295)
Exchange difference arising on translation of foreign operation	-	-	-	60	60
Total comprehensive loss for the period	-	(1,295)	-	60	(1,235)
Expired and cancelled options and performance rights	-	549	(549)	-	-
Recognition of share based payments	-	-	1,206	-	1,206
Balance at 30 June 2014	**208,000**	**(49,174)**	**6,043**	**750**	**165,619**
Balance at 1 January 2013	163,585	(38,074)	4,144	1,408	131,063
Loss for the period	-	(9,936)	-	-	(9,936)
Exchange difference arising on translation of foreign operation	-	-	-	(604)	(604)
Total comprehensive loss for the period	-	(9,936)	-	(604)	(10,540)
Conversion of performance rights	2,225	-	(2,225)	-	-
Expired and cancelled options and performance rights	-	224	(607)	-	(383)
Recognition of share based payments	-	-	1,882	-	1,882
Balance at 30 June 2013	**165,810**	**(47,786)**	**3,194**	**804**	**122,022**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Consolidated	
	6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
Cash flows from operating activities		
Receipts from sales	28,118	10,389
Payments to suppliers and employees	(14,767)	(3,083)
Interest received	15	290
Net cash provided by operating activities	13,366	7,596
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	11,638	-
Payments for exploration activities	(2,245)	(1,141)
Payments for development activities	(43,916)	(45,351)
Payments for property, plant and equipment	(1,766)	(17,504)
Net cash (used in) investing activities	(36,289)	(63,996)
Cash flows from financing activities		
Proceeds from borrowings	-	25,000
Borrowing costs, including capitalised finance fees	(5,374)	(262)
Net cash provided by / (used in) financing activities	(5,374)	24,738
Net increase in cash and cash equivalents	(28,297)	(31,662)
Cash and cash equivalents at beginning of period	34,790	36,675
Effect of exchange rate changes on cash	103	(1,250)
Cash and cash equivalents at end of reporting period	6,596	3,763

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 31 December 2013 and any public announcements made by Red Fork Energy Limited and its subsidiary during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(b) Basis of Preparation

The interim 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 company is domiciled in Australia.

The financial report is presented in US dollars unless otherwise noted. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

(c) Rounding

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

(d) Going Concern

The half year report for the six months ended 30 June 2014 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realization of assets and extinguishment of liabilities in the ordinary course of business. For the period ended 30 June 2014 the Group recorded a net loss of $1.3 million (June 2013: loss of $9.9 million), total equity of $166 million (December 2013: $166 million) and as a result of the loan reclassification to current liabilities, had working capital deficit of $103.5 million (December 2013: surplus of $7.6 million).

In November 2013 Red Fork (USA) Investments, Inc., a wholly owned subsidiary of the Group, entered into a credit agreement with Guggenheim Partners, LLC ("Guggenheim") of up to US $150 million secured term loan ("Secured Loan"). At December 31, 2013, the Group had borrowed $100 million under the Secured Loan. Under the terms of the credit agreement, the Group has quarterly covenant reporting obligations, and the Group was in compliance with these covenants at 31 December 2013.The Group anticipated it would be in breach of certain covenants as at 31 March 2014 and 30 June 2014 and accordingly obtained waivers in respect of those anticipated breaches as of that date, effective until 30 September 2014. There is no certainty that the Group will be able to obtain further waivers beyond this date.

If the Group is unable to obtain waivers beyond 30 September 2014, the loan is not repaid or the terms of the loan varied, then a breach of the terms of the Secured Loan would occur. If the breach is not remedied within 30 days of the breach then an event of default under the loan agreement would occur, and Guggenheim would have the right to request the full loan principal and any outstanding fees and interest be repaid upon demand.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The waivers were sought to coincide with the intended conclusion of the Strategic Review Process, to allow the implementation of a process with the aim of resulting in a transaction that will ultimately see the assets of the Company monetized or proactively developed. Given that a waiver has not been obtained by the Company up to the June 2015 reporting period, the debt has been reclassified on the balance sheet from non-current to current.

Notwithstanding the circumstances detailed above however the Board, based upon feedback received from the Company's US advisor, has reasonable grounds to believe that the Company will execute a binding terms sheet for a successful transaction at the conclusion of the Strategic Review Process and prior to 30 September 2014. In the alternative, the Company will seek to obtain such waivers or extensions as may be required to conclude a successful transaction.

In May 2014, Petro Capital Securities, LLC ("Petro Capital") was engaged as the Company's US advisor to provide advice in respect of the Strategic Review Process and to facilitate the Company's asset monetization marketing effort.
This resulted in the Company undertaking a marketing campaign with presentations and discussions with prequalified interested parties.

As at the date of this report, the Company has received a number of non-binding indicative proposals and based upon feedback received from the Company's US advisors, the directors believe that one of these will conclude in a refinancing or asset sale / restructure which will facilitate the repayment of the Company's Secured Loan outstanding principal and fees, outstanding trade creditors, and provide the Company with sufficient working capital to continue to develop its oil and gas assets on a going concern basis.

Due to the incomplete nature of negotiations, there is a material uncertainty as to their completion which may cast significant doubt on the ability of the Company to continue as a going concern.

Given the circumstances, the Board has reasonable grounds to believe that:

- the Company will execute a binding term sheet for a successful transaction at the conclusion of the Strategic Review Process and prior to 30 September 2014;
- if a binding terms sheet for a successful transaction has not been executed by this date, then the Company will work with Guggenheim to obtain such waivers or extensions as may be required to conclude a successful transaction,
- should the Company be unable to complete a transaction, pursuant to the Strategic Review Process, the Directors would consider alternative options such as;
  - i) refinancing the debt with the existing lender (via a conforming reserve based lending facility on a large proportion of the outstanding debt, and the balance repaid via the issue of equity),
  - ii) negotiating an extension to the current waiver terms and seeking to reset the loan covenants for the medium term with the existing lender to avoid an event of default.

Based upon the above, the Board has reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Directors consider the going concern basis of preparation to be appropriate for this financial report.

(e) Adoption of New and Revised Accounting Standards

In the half-year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current reporting period.

Based upon advice received, it has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2014. 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 the Group's business and, therefore, no change necessary to Group accounting policies.

Significant Accounting Judgments and Key Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 31 December 2013.

Accounting Policies

The accounting policies adopted are consistent with those disclosed in the annual financial report for the year ended 31 December 2013. These accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated	
		6 months to 30 June 2014 US$'000	6 months to 30 June 2013 US$'000
NOTE 2: REVENUES AND EXPENSES			
(a)	**Revenue**		
	Sales revenue		
	Oil sales	21,741	9,169
	Gas sales	5,665	2,445
	Miscellaneous sales	1,125	561
		28,531	**12,175**
	Other Revenue		
	Interest received	13	161
	Gain on sale of assets (undeveloped leasehold acreage and seismic)	8,983	-
		8,996	**161**
(b)	**Cost of Sales**		
	Lease operating expenses	11,577	3,262
	Production expenses	1,385	1,165
		12,962	**4,427**
(d)	**Administration and other expenses**		
	Administration expenses	66	182
	Consultant fees	1,070	426
	Compliance and share registry fees	404	279
	Travel expenses	238	375
	Occupancy expenses	142	137
	Other expenses	354	156
		2,274	**1,555**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Consolidated	
	As at 30 June 2014	As at 31 December 2013
NOTE 3: CASH AND CASH EQUIVALENTS	**US$'000**	**US$'000**
Cash at bank	3,405	33,199
Short term deposits	490	1,591
Restricted cash (i)	2,701	-
Closing balance	6,596	34,790

(i) Held in escrow by Guggenheim Corporate Funding, LLC. ("Guggenheim") to be released upon finalisation of the strategic review process, concluding in a potential sale of the Company's assets or debt refinance.

NOTE 4: TRADE AND OTHER RECEIVABLES

Current		
Oil and gas sales receivable	7,476	9,195
Other receivables	36	37
Prepayments	100	120
Closing balance	7,612	9,352

NOTE 5: EXPLORATION AND EVALUATION EXPENDITURE

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

Pre-production		
Exploration and evaluation phases	**15,675**	**19,131**

Movement in carrying amounts		
Opening balance	19,131	21,320
Expenditure incurred during the period	1,302	1,945
Disposals	(4,758)	(3)
Transfers	-	(4,131)
Closing balance	15,675	19,131

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.

NOTE 6: DEVELOPMENT AND PRODUCTION ASSETS

At cost	245,616	215,811
Accumulated depreciation and impairment	(35,142)	(25,229)
	210,474	**190,582**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Consolidated	
	As at 30 June 2014	As at 31 December 2013
NOTE 6: DEVELOPMENT AND PRODUCTION ASSETS (CONTINUED)	**US$'000**	**US$'000**
Movement in carrying amounts		
Opening balance	190,582	106,452
Additions	30,248	87,125
Disposals	(443)	-
Transfers	-	4,131
Depreciation and depletion for the period	(9,913)	(7,126)
Closing balance	210,474	190,582
NOTE 7: PLANT, EQUIPMENT AND PIPELINE		
Pipeline and field equipment		
At cost	46,342	44,851
Accumulated depreciation	(4,452)	(3,392)
	41,890	41,459
Other plant and equipment		
At cost	1,786	1,744
Accumulated depreciation	(670)	(596)
	1,116	1,148
	43,006	**42,607**
Pipeline and field equipment		
Opening balance	41,459	33,522
Additions	2,916	9,172
Disposals	(1,178)	-
Transfers	-	-
Depreciation for the period	(1,307)	(1,235)
Closing balance	41,890	41,459
Other plant and equipment		
Opening balance	1,148	1,146
Additions	44	131
Disposals	(4)	-
Transfers	-	-
Depreciation for the period	(72)	(129)
Closing balance	1,116	1,148

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

	Consolidated	
	As at 30 June 2014	As at 31 December 2013
NOTE 8: INTEREST-BEARING LOANS AND BORROWINGS	**US$'000**	**US$'000**
Current		
Secured loan (a)	100,000	-
Less: Deferred loan costs	(4,838)	-
Closing balance	**95,162**	**-**
Non-Current		
Secured loan (a)	-	100,000
Less: Deferred loan costs	-	(5,627)
Closing balance	**-**	**94,373**

Secured Loan (a)

In November 2013 Red Fork (USA) Investments, Inc., a wholly owned subsidiary of the Group, entered into a credit agreement with Guggenheim Partners, LLC ("Guggenheim") of up to US $150 million secured term loan ("Secured Loan"). At December 31, 2013, the Group had borrowed $100 million under the Secured Loan. Under the terms of the credit agreement, the Group has quarterly covenant reporting obligations, and the Group was in compliance with these covenants at 31 December 2013.The Group anticipated it would be in breach of certain covenants as at 31 March 2014 and 30 June 2014 and accordingly obtained waivers in respect of those anticipated breaches, effective until 30 September 2014. There is no certainty that the Group will be able to obtain further waivers beyond this date.

If the Group is unable to obtain waivers beyond 30 September 2014, the loan is not repaid or the terms of the loan varied, then a breach of the terms of the Secured Loan would occur. If the breach is not remedied within 30 days of the breach then an event of default under the loan agreement would occur, and Guggenheim would have the right to request the full loan principal and any outstanding fees and interest be repaid upon demand.

The waivers were sought to coincide with the intended conclusion of the Strategic Review Process, to allow the implementation of a process with the aim of resulting in a transaction that will ultimately see the assets of the Company monetized or proactively developed. Given that a waiver has not been obtained by the Company up to the June 2015 reporting period, the debt has been reclassified on the balance sheet from non-current to current.

For the effects of the reclassification of the loan on the going concern assumption of the financial report, please refer to Note 1(d): Statement of Significant Accounting Policies, Going Concern.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 9: ISSUED CAPITAL	As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
(a) Ordinary shares		
Issued and fully paid	**208,000**	**208,000**

	As at 30 June 2014		As at 31 December 2013	
	Number	**US$'000**	**Number**	**US$'000**
Movements in ordinary shares on issue				
Balance at beginning of period	501,051,719	208,000	388,551,719	165,810
Shares issued during the period:				
- Placement at A$0.43 each	-	-	111,000,000	43,918
- Performance rights conversion	-	-	1,500,000	1,001
Share issue costs	-	-	-	(2,729)
Balance at end of period	501,051,719	208,000	501,051,719	208,000
(b) Options				
Movements in options on issue				
Balance at beginning of period	3,517,666	328	3,517,666	328
- Option expired and cancelled	(3,016,666)	(135)	-	-
Balance at end of period	501,000	193	3,517,666	328
(c) Performance Rights and LTI Rights				
Movements in performance rights and LTI rights on issue				
Balance at beginning of period	11,860,000	5,058	12,850,000	2,866
Performance rights issued during the period	-	-	630,000	43
LTI rights issued during the period	9,546,062	235	-	-
Performance rights exercised	-	-	(1,500,000)	(1,001)
Performance rights cancelled	(1,400,000)	(414)	(120,000)	(17)
Recognition of share based payments	-	971	-	3,167
Balance at end of period	20,006,062	5,850	11,860,000	5,058

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

		Consolidated	
		As at 30 June 2014 US$'000	As at 31 December 2013 US$'000
NOTE 10: RESERVES			
	Share based payment reserve	6,043	5,386
	Foreign currency translation reserve	750	690
		6,793	**6,076**
(a)	**Share Based Payment Reserve**		
	Balance at the beginning of the period	5,386	3,194
	Performance rights issued	-	43
	Performance rights cancelled	(414)	(17)
	Performance rights conversion	-	(1,001)
	Options cancelled and expired	(135)	-
	LTI rights issued	235	-
	Employee equity settled payments	971	3,167
	Balance at end of the period	**6,043**	5,386
(b)	**Foreign Currency Translation Reserve**		
	Balance at the beginning of the period	690	804
	Movement during the period	60	(114)
	Balance at end of the period	**750**	690
NOTE 11: ACCUMULATED LOSSES			
	Balance at the beginning of the period	(48,428)	(47,786)
	Net loss for the period	(1,295)	(659)
	Transfer of expired & cancelled options and performance rights from share based payment reserve	549	17
	Balance at end of the period	**(49,174)**	**(48,428)**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 12: SEGMENT REPORTING

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.

NOTE 13: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

A reserve certification as at 30 June 2014 was carried out by Lee Keeling & Associates, Inc. ("Lee Keeling") to review and update the Company's reserves at 30 June 2014. The certificate dated 15 August 2014 includes volumes associated with the Mississippi Lime formation and also reserves and resources associated with Red Fork's West Tulsa, Osage and Eastern Oklahoma oil and gas projects as well as any potential volumes associated with the Woodford Shale. Please refer to the Directors' Report for the reserves summary.

Other than disclosed in the Directors Report, the Directors are not aware of any other matter or circumstances that has arisen since 30 June 2014 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.

DIRECTORS' DECLARATION

In the opinion of the directors of Red Fork Energy Limited ('the company'):

The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:

a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year then ended.

2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

David Prentice

Managing Director

Dated this 14th day of September 2014

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Independent Auditor's Review Report
To the Members of Red Fork Energy Limited

We have reviewed the accompanying half-year financial report of Red Fork Energy Limited ("Company"), which comprises the consolidated financial statements being the condensed statement of financial position as at 30 June 2014, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Red Fork Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Red Fork Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Fork Energy Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(d) in the financial report which indicates that the consolidated entity incurred a net loss after tax of $1.3m during the half year ended 30 June 2014 (30 June 2013: loss of $9.9m) and had a net current deficiency of $103.5m (31 December 2013: surplus of $7.6m). These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 14 September 2014