Quarterly Report

Period ended September 30, 2010

Red Fork Energy Limited
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Directors

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

ASX Code

RFE (Fully Paid Ordinary Shares)

Summary

- ✓ Substantial reserve upgrade following independent certification with Proved plus Probable reserves (2P) increasing to 143.1Bcfe
- ✓ Development continues at East Oklahoma and the East Oklahoma South plant upgrade is completed
- ✓ Second central delivery point established at West Tulsa and two new are wells completed for production
- ✓ Gross revenue for the quarter was A$1.08 million with receipts from sales of A$0.864 million
- ✓ Production for the quarter was 274Mmcfe (2.98Mmcfe/day)[1] a 17% increase from the June quarter result

Operations

East Oklahoma Project (RFE 100% owned and operated)

During the quarter the Company continued the development of its large shallow biogenic shale gas project in eastern Oklahoma. Drilling, completion and/or testing operations were carried out in all three project areas within the East Oklahoma project.

At East Oklahoma North, the Company commenced completion operations on the *Posey #1-17* well. A work over rig was moved on to the location and the casing was perforated. The well was swabbed back and then fracture stimulated. The well is currently being pumped back with load water being recovered prior to production testing. Open hole logs confirmed the presence of the target Woodford Shale with approximately 63 feet of productive zone logged.

Continues…..

At East Oklahoma Central, development work continued with completion of wells that have been drilled but not yet tested. In addition, further production testing of wells that had already been completed got underway. Gas samples are now being collected and produced water is being processed at the Company's RDFK #1-3 water disposal facility. Testing is ongoing.

In addition to this work, the Company drilled two new wells at East Oklahoma Central during the quarter. The *Clemmons #1-9* well and the *Peper #1-21* well, both successfully reached target depth and intersected approximately 50 feet of Woodford Shale, with a good show of gas evident in samples across the entire section. Both wells were logged and cased ahead of completion operations.

At East Oklahoma South, the Company successfully drilled and completed the *Scott #1-24* well. This was the first well to be drilled by Red Fork at East Oklahoma South and importantly the well was drilled on a 640 acre spacing unit, in keeping with the Company's strategy for the development of the East Oklahoma project. The well is currently being pumped back with load water being recovered prior to production testing.

During the quarter the Company also successfully completed its plant upgrade works at the Wagoner "A" Station. A new Amine processing unit was installed with minimal production down time and interruption to gas sales. The design stage of the plant upgrade began in December 2009 just after the Company acquired the East Oklahoma South project, and the plant was built by an international manufacturing company located in Oklahoma City.

This latest upgrade to the Wagoner "A" Station marks the conclusion of a program of work designed to improve the efficiency and profitability of the facilities. This program has been very successful, with this most recent upgrade to the Amine processing plant generating production cost savings of approximately A$425,000 per annum and reducing production gas used as fuel in the plant by approximately 150,000 cubic feet of gas per day (approximately A$300,000 per annum in revenue).

The Wagoner "A" Station is now capable of transporting up to 40MMcf/day. Under the current configuration, it is capable of processing 5MMcf/day, with the capacity to upgrade to meet future requirements.

<u>West Tulsa Project (RFE 100% owned and operated)</u>

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

The *Fuss #2-34* well was brought on line delivering initial production rates of 40 barrels of oil per day and 120,000 cubic feet of gas per day. This initial production volume was planned and is a result of deliberate lower initial fluid movement, which is designed to increase the ultimate recovery on these wells and reduce the time to achieve a one to one pay-out.

The high BTU gas (approximately 1,300 BTU) associated with the primary oil production from this well was directed to sales through the Company's fully operational gathering, compression and tap facilities.

In addition, the Company successfully completed a three month program to install permanent production facilities for a second central delivery point (gathering, storage and water disposal) at Pawnee on location adjacent to the *Moebius #2-28* water disposal well.

This second central delivery point is now operational providing significant additional water disposal and oil storage capacity and its has allowed the Company to bring oil and gas production from the *Moebius #1-28* and *#3-28* wells on line.

Importantly, this new disposal well (the *Moebius #2-28* well) appears to have the ability to take a very large volume of produced water (potentially as much as 15,000 barrels per day), providing enough disposal capacity to support up to 20 of the new well locations that the Company has proven within the discovery area.

The *Moebius #1-28* and *Moebius #3-28* wells were also completed for production during the quarter, with the *Moebius #1-28* well delivering initial production rates of 47 barrels of oil per day and 50,000 cubic feet of high BTU gas per day. The *Moebius #3-28* well is still returning load water with a high fluid level and a good show of oil and gas.

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

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

Red Fork will continue with the development of its Pawnee project at West Tulsa, with ongoing development funded from existing working capital and cash flow.

Reserves

During the quarter the Company was able to update the market on its reserve position as at June 30, 2010 following independent certification by petroleum engineers, Lee Keeling & Associates, Inc ("Lee Keeling").

This year the Company again successfully increased its total reserve position with total proved, probable plus possible (3P) reserves increasing to 197.6 Billion cubic feet equivalent (Bcfe), up from 106.5Bcfe in the previous year. Proved plus probable reserves (2P) increased to

143.1Bcfe (up from 72.8Bcfe in 2009), while proved reserves (1P) reached 79.9Bcfe (up from 22.4Bcfe in 2009).

The Company also confirmed an initial independently certified 2P reserve of 78.4Bcf for its shallow biogenic shale discovery at East Oklahoma. The majority of this initial reserve increase can be attributed to the strategic EOK South acquisition which was successfully closed late last year. Red Fork acquired the EOK South assets (which included extensive gas gathering, compression, processing, pipeline and sales infrastructure, gas production and a large drilling inventory) in November 2009.

Reserves at the Pawnee project (West Tulsa) also received a boost, with Proved (1P) reserves of 890,000 barrels of oil (an 85% increase from 2009) and 2.7 billion cubic feet of gas and Proved plus Probable (2P) reserves of 1,390,000 barrels of oil and 3.7 billion cubic feet of gas. Importantly, the independent certification identified an additional thirty six (36) Proved, Probable plus Possible (3P) development locations within the Pawnee prospect. Sixteen of these locations are classified as Proved Undeveloped (1P).

The table below outlines the oil and gas reserves now attributable to Red Fork's three project areas as well as the Net Revenue and PV10 values attributable to these reserves.

	Proved (1P)			**Proved plus Probable (2P)**			**Proved, Probable plus Possible (3P)**		
	Mmbo	Bcf	Bcfe	Mmbo	Bcf	**Bcfe**	Mmbo	Bcf	Bcfe
East Oklahoma	0.00	26.14	26.14	0.00	78.40	**78.40**	0.00	114.82	114.82
West Tulsa	0.89	2.70	20.50	1.39	3.70	**31.51**	1.74	14.81	49.53
Osage	1.20	9.20	33.24	1.20	9.20	**33.24**	1.20	9.20	33.24
Total	2.09	38.03	79.87	2.59	91.30	**143.14**	2.94	138.83	197.58

Net Revenue A$m	251.80	**495.77**	696.98
PV 10 A$m	89.93	**158.70**	204.50

Notes & Assumptions:

1. All of these reserves are from shale gas, conventional oil and gas and coal bed methane accumulations, at depths ranging from 400 to 5,000 feet. The producing zones range in age from Pennsylvanian to Cambrian and are located in the Cherokee basin of Oklahoma in the United States.
2. The reserves are based on an oil price of US$75.00 per bbl flat and a starting gas price of US$5.20 per mcf escalated to a maximum of US$7.38 per mcf for the life of each well.
3. Bcfe is presented on a revenue equivalent basis using the NYMEX spot price for oil and the Henry Hub spot price for gas as at September 11, 2010.
4. Valuations are converted using 1 USD to 1.114 AUD.
5. Volumes presented are for Red Fork's 100% Working Interest in each of its projects.

Production and Cash Flow

Red Fork continued selling oil and gas during the September quarter with record oil production and steady gas production (despite a short interruption to production from the Wagoner “A” station as the Amine plant was installed).

Gross revenue and receipts from sales were down on the previous quarter as a result of lower spot prices and a stronger Australian dollar.

Gross revenue from sales was A$1,080,000, while net income (receipts from sales) was A$864,000.

Gas production for the quarter was 120.6 Mmcf (decrease of 0.5% from the June quarter).

Oil production for the quarter was 7,321 barrels (increase of 10.3% from the June quarter).

As at September 30, 2010 Red Fork has A$4.9 million in working capital and no debt.

Yours faithfully,

David Prentice
Managing Director

About Red Fork Energy Limited

Red Fork Energy Limited is an Australian publicly listed company developing oil and gas assets in Oklahoma, United States. The Company currently owns and operates three projects, East Oklahoma (~110,000 acres in total made up of three projects: East Oklahoma Central; East Oklahoma South and East Oklahoma North), West Tulsa (~15,000 acres) and Osage (~5,000 acres). These assets provide proven producing oil and gas fields as well as highly prospective exploration acreage for future growth. Red Fork is well advanced in achieving its goal of becoming an independent exploration and production company through the commercialization of the coal bed methane, shale gas and conventional oil and gas resources located within its landholdings.

Forward Looking Statements

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

Reserves

The independent certification of these reserves was undertaken by Lee Keeling & Associates, Inc (Lee Keeling). Lee Keeling are engaged each year by the Company to review and prepare a report on the Company's oil and gas reserves. 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 consults on all aspects of petroleum geology and engineering for both domestic and international projects and companies. Lee Keeling have consented to the release of this reserves information.

Notes

1. Mmcfe is calculated on a revenue equivalent basis using NYMEX spot price for oil and gas as at 29/10/2010.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

RED FORK ENERGY LIMITED

ABN	Quarter ended ("current quarter")
15 108 787 720	30 September 2010

Consolidated statement of cash flows

	Cash flows related to operating activities		Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors		864	864
1.2	Payments for	(a) exploration and evaluation	(562)	(562)
		(b) project development	(1,020)	(1,020)
		(c) production	(179)	(179)
		(d)administration and overheads	(1,119)	(1,119)
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		54	54
1.5	Interest and other costs of finance paid		-	-
1.6	Income taxes paid		-	-
1.7	Other		-	-
	Net Operating Cash Flows		(1,962)	(1,962)
	Cash flows related to investing activities			
1.8	Payment for purchases of:			
	(a) prospects		-	-
	(b) equity investments		-	-
	(c) other fixed assets and inventory		(640)	(640)
1.9	Proceeds from sale of:			
	(a) prospects		-	-
	(b) equity investments		-	-
	(c) other fixed assets		-	-
1.10	Loans to other entities		-	-
1.11	Loans repaid by other entities		-	-
1.12	Payments for acquisitions		-	-
	Net investing cash flows		(640)	(640)
1.13	Total operating and investing cash flows (carried forward)		(2,602)	(2,602)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,602)	(2,602)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - payment of capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(2,602)	(2,602)
1.20	Cash at beginning of quarter/year to date	7,802	7,802
1.21	Exchange rate adjustments to item 1.20	(295)	(295)
1.22	**Cash at end of quarter**	4,905	4,905

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

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	283
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors Fees and Salaries for Australian and US based directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

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

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	1,959	2,341
5.2	Deposits at call	2,946	5,461
5.3	Bank overdraft	-	-
5.4	Other (security bond)	-	-
	Total: cash at end of quarter (item 1.22)	4,905	7,802

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	139,535,000	139,535,000		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
		295,500	-	$0.60	31/07/12
		7,165,000	-	$0.30	30/04/11
		1,800,000	-	$0.40	30/04/12
		1,800,000	-	$0.50	30/04/13
		1,800,000	-	$0.65	30/04/14
		1,600,000	-	$0.65	30/06/14
		708,333	-	$0.35	30/06/14
		708,333	-	$0.45	30/06/14
		1,800,000	-	$0.80	30/04/15
		1,800,000	-	$1.00	30/04/16
		1,587,000	-	$1.20	30/11/14
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				

+ See chapter 19 for defined terms.

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

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 29 October 2010
(Company secretary)

Print name: Suzie Foreman

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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