Red Fork Energy Limited

(ABN 15 108 787 720)

Half-Year Report

31 December 2011

COMPANY DIRECTORY

Non Executive Chairman
Michael Fry

Managing Director
David Prentice

Executive Directors
Perry Gilstrap – Operations
Bruce Miller – Resources

Non Executive Director
Steve Miller

Company Secretary
Suzie Foreman

Principal and Registered Office
Level 2
79 Hay Street
SUBIACO WA 6008
Telephone: (08) 9200 4470
Facsimile: (08) 9200 4471

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

Share Registrar
Security Transfer Registrars
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333

Securities Exchange Listing
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: RFE

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011. 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.

Michael Fry	Non Executive Chairman
David Prentice	Managing Director
Bruce Miller	Executive Director – Resources
Perry Gilstrap	Executive Director – Operations and President of Red Fork Energy Investments (USA) Inc.
Steve Miller	Non-Executive Director

Review of Operations

Red Fork Energy Limited recorded a net loss after tax of US$1.8 million for the half-year (2010: US$1.9 million net loss after tax). Gross profit for the half-year was US$1.01 million, up from US$0.55 million for the corresponding 2010 half-year period.

Revenue from oil and gas sales amounted to US$1.8 million, compared to US$1.3 million for the previous half-year, an increase of 38%. The increase in overall revenues reflects higher production levels overall during the period.

Volume: Red Fork produced 13,110 BBLs for the half year, up from 9,081 BBLs for the corresponding 2010 half-year. Net gas sales remained constant at 189,067MCF compared to 189,149 MCF for the corresponding period. Oil production for the half received a boost with maiden production from the Company's first horizontal Mississippian well (Big River Project) recorded in December 2011.

Price: Average prices received for the reporting period were higher for oil and lower for gas compared to the prior corresponding period.

Exchange rate: Red Fork Energy Limited has elected to change its presentation currency from Australian dollars to US dollars effective 1 July 2011. As the Group's core operational activities are based in the US, the presentation of the Group's results in US dollars will provide more reliable and relevant information about the effects of transactions on the Group's financial position, financial performance and cash flows.

EXPLORATION / PRODUCTION ACTIVITIES

Red Fork Energy Limited ("RFE", "Red Fork" or the "Company") is very well positioned to continue its growth and capitalise on the significant potential of its large landholdings in highly prospective basins located in Oklahoma in the United States.

As at the date of this report, Red Fork owns and operates four projects in Oklahoma: Northern Central Oklahoma (Big River), East Oklahoma, West Tulsa and Osage. Red Fork maintains a 100% Working Interest in its leases across all of these projects.

Big River Project

The Company continued to progress the exciting horizontal Mississippian oil and liquids rich gas play in Oklahoma during the half year with ongoing leasing activities delivering a very significant increase in the Company's net acreage position. At the date of this report, Red Fork holds approximately 73,000 net (select high grade) acres in the heart of the Mississippian play, (up from 12,000 acres as at December 31, 2010, an increase of 508%). The Company's leasing initiatives are ongoing with the focus on infill leasing and increasing the number of controlled sections within the Company's core area of the eastern limb of the Mississippian play in north central Oklahoma. The Company is now targeting a position of in excess of 100,000 acres in this very exciting play.

During the half year period, the Company also commenced a large seismic and permitting program that will underpin its forward horizontal Mississippian drilling program through 2012 and beyond. This program is focused on Red Fork's highly contiguous acreage in Noble, Payne and Pawnee Counties.

The Company also successfully drilled, logged and completed for production its first horizontal Mississippian test well during the half year. Initial production testing of the *Tahara #1-28H* well (Pawnee County) commenced during December 2011 following a large stimulation program. Very encouraging initial and 30-day peak production results were recorded and the well was subsequently handed over to Red Fork's production personnel who are responsible for managing production for optimum reservoir maintenance and ultimate recovery. Post the end of the period, the well continued to deliver strong production volumes in line with the industry average type curve for the play (adjusted for the lower Gas to Oil Ratio ("GOR") evident in this part of the play).

The Company's second horizontal Mississippian test, the *Abunda #1-21H* well (Pawnee County) was also spudded during the period and results from mud logs indicated natural fracturing in the productive interval was more pronounced in this well (compared to the *Tahara #1-28H* well). The Company expects the lateral in this well to be drilled out early in the March 2012 quarter.

The *McMurtry #1-21H* well (Noble County), was the Company's third horizontal Mississippian test well spudded during the period. Post the end of the half-year this well subsequently successfully reached its target depth and was logged and cased ready for completion.

During the period the Company also commenced operations to build locations and extend production infrastructure to facilitate drilling and testing of the *McMurtry #1-22H* and *Blair #1-24H* wells, both in Noble County, Oklahoma.

In addition to its operated activity in the play (outlined above), the Company announced that it had secured non-operated interests in an additional eight wells (all located within the eastern limb of the play).

Finally, the Company was also very pleased to secure a 12-month contract with Jerry Scott Drilling for a "top drive" rig to complete its 2012 Mississippian drilling program. This contract will ensure continuous drilling operations in the Mississippi through the 2012 calendar year.

East Oklahoma Project

During the half year the Company continued to produce, gather and process natural gas (including third party gas) from the East Oklahoma shale gas project. As outlined in the previous reports (with natural gas prices at historically low levels) the Company is continuing to look for opportunities to improve the economics of this play by leveraging off its investment in the Wagoner "A" production and processing facilities.

Red Fork 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) providing 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.

West Tulsa Project

The Company maintained production from its Pawnee conventional oil and gas project at West Tulsa during the period. Red Fork now has eleven wells at West Tulsa (nine in production) with significant permanent oil and gas facilities established.

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

Osage Project

During the period the Company maintained production from its 100% owned Osage project. The project produces oil from conventional zones in the Wilcox formation and gas from a mixture of conventional zones as well as coal bed methane and shale zones that are productive in this acreage.

Ongoing work at Osage is expected to be focussed on low risk development opportunities with some new drilling as well as work to bring proven behind pipe zones into production.

CAPITAL

On 9 December 2011 the Company announced a private placement of 40.46 million new ordinary shares to sophisticated and professional investors, raising A$27.9 million (before costs of issue) at a price of A$0.69 per share. The placement was completed within the Company's 15% placement capacity.

This additional working capital will ensure that the Company can continue to pursue an aggressive operated drilling program, maintain its leasing initiatives and importantly fund participation in an increasing number of non-operated drilling opportunities in the Mississippian.

On 30 November 2011, shareholders also approved the issue of 9.6 million performance rights to Directors. On 1 December 2011 the Company announced the cancellation of 9.6 million options previously issued to Directors.

There were 310.2 million ordinary shares on issue, 4.9 million unlisted options and 9.6 million unlisted performance rights as at the end of the half-year.

EVENTS SUBSEQUENT TO REPORTING DATE

On 23 January 2012 the Company announced a successful addition of 13,000 net (select high grade) acres, located adjacent to or contiguous with the Company's existing Noble County holdings, secured through a Bureau of Land Management ("BLM") Federal Land lease sale. Red Fork secured the leases on very favourable terms, with a 10 year term and 87.5% Net Revenue Interest.

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 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 31 December 2011.
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.

Mr. David Prentice
Executive Director

Dated this 15th day of March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Red Fork Energy Limited for the half-year ended 31 December 2011, 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 review; and

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

Perth, Western Australia
15 March 2012

M R W OHM
Partner, HLB Mann Judd

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	Consolidated 31 December 2011 US$	Consolidated 31 December 2010 US$
Revenue		1,758,144	1,332,728
Direct cost of sales		(742,768)	(786,500)
Gross profit from operations		1,015,376	546,228
Other revenue from activities		450,828	54,876
Consultants' fees		(136,671)	(105,789)
Amortisation and depreciation expense		(525,564)	(246,917)
Compliance and share registry		(415,289)	(266,547)
Administration expenses		(72,451)	(40,246)
Salaries, directors' fees and employee benefits		(1,379,370)	(1,053,541)
Travel		(222,715)	(207,535)
Finance costs		(3,601)	(5,700)
Other expenses		(131,342)	(148,235)
Occupancy expenses		(82,316)	(70,264)
Equity based payments		(283,453)	(170,521)
Gain/(loss) on foreign exchange movement		14,940	(181,749)
Loss before income tax expense	2	(1,771,628)	(1,895,940)
Income tax expense		-	-
Loss for the period		**(1,771,628)**	**(1,895,940)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(2,819,287)	539,981
Foreign exchange gain reclassified to equity		2,440,684	-
Other comprehensive income/(loss) for the period net of tax		(378,603)	539,981
Total comprehensive loss for the period		**(2,150,231)**	**(1,355,959)**
Basic (loss) per share (cents per share)		(0.65)	(1.36)

Options on issue are not considered to be dilutive as their exercise would not show an inferior loss per share

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	Consolidated As at 31 December 2011 US$	As at 30 June 2011 US$
Assets			
Current Assets			
Cash and cash equivalents		37,159,610	26,359,534
Trade and other receivables		1,106,584	672,922
Inventory		736,561	310,540
Total Current Assets		**39,002,755**	**27,342,996**
Non-Current Assets			
Deferred exploration and evaluation costs	3	19,694,305	19,694,305
Production assets	4	35,797,437	24,276,266
Plant, equipment and pipeline	5	9,746,548	7,888,540
Other assets		16,765	17,456
Total Non-Current Assets		**65,255,055**	**51,876,567**
Total Assets		**104,257,810**	**79,219,563**
Liabilities			
Current Liabilities			
Trade and other payables		1,779,490	1,348,153
Other financial liabilities		58,673	29,672
Total Current Liabilities		**1,838,163**	**1,377,825**
Non-Current Liabilities			
Other financial liabilities		54,676	54,676
Provisions		447,079	436,052
Total Non-Current Liabilities		**501,755**	**490,728**
Total Liabilities		**2,339,918**	**1,868,553**
Net Assets		**101,917,892**	**77,351,010**
Equity			
Issued capital	6	113,921,922	87,488,262
Reserves	7	2,144,196	4,877,965
Accumulated losses	8	(14,148,226)	(15,015,217)
Total Equity		**101,917,892**	**77,351,010**

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated					
	Issued Capital	Accumulated Losses	Option Reserve	Share Based Payment Reserve	Foreign Translation Reserve	Total
	US$	US$	US$	US$	US$	US$
Balance at 1 July 2011	87,488,262	(15,015,217)	3,378,731	-	1,499,234	77,351,010
Loss for the period	-	(1,771,628)	-	-	-	(1,771,628)
Exchange difference arising on translation of foreign operation	-	-	-	-	(2,819,287)	(2,819,287)
Foreign exchange gain reclassified to equity	-	-	-	-	2,440,684	2,440,684
Total comprehensive loss for the period	-	(1,771,628)	-	-	(378,603)	(2,150,231)
Shares issued during the period	27,861,565	-	-	-	-	27,861,565
Capital raising costs	(1,427,905)	-	-	-	-	(1,427,905)
Write back expired and cancelled options	-	2,638,619	(2,638,619)	-	-	-
Recognition of share based payments	-	-	50,788	232,665	-	283,453
Balance at 31 December 2011	113,921,922	(14,148,226)	790,900	232,665	1,120,631	101,917,892
Balance at 1 July 2010	46,682,644	(11,296,299)	2,994,107	-	766,975	39,147,427
Loss for the period	-	(1,895,940)	-		-	(1,895,940)
Exchange difference arising on translation of reporting currency	-	-	-	-	1,000,623	1,000,623
Total comprehensive loss for the period	-	(1,895,940)	-	-	1,000,623	(895,317)
Recognition of share based payments	-	-	170,520	-	-	170,520
Balance at 31 December 2010	46,682,644	(13,192,239)	3,164,627	-	1,767,598	38,422,630

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	31 December 2011 US$	31 December 2010 US$
Cash flows from operating activities		
Receipts from customers	1,477,347	1,741,494
Payments to suppliers and employees	(3,116,449)	(3,446,788)
Interest received	240,204	67,564
Net cash (used in) operating activities	(1,398,898)	(1,637,730)
Cash flows from investing activities		
Payment for exploration and evaluation	-	(1,015,526)
Payment for production assets	(11,403,476)	(1,428,787)
Purchase of other non-current assets	(1,809,122)	(1,011,250)
Advances under joint operating agreements	-	(202,560)
Net cash (used in) investing activities	(13,212,598)	(3,658,123)
Cash flows from financing activities		
Proceeds from issue of shares	27,861,565	-
Payment for share issue costs	(1,427,905)	-
Proceeds from convertible notes	-	2,079,660
Net proceeds from finance lease	-	54,725
Net cash provided by financing activities	26,433,660	2,134,385
Net increase/(decrease) in cash and cash equivalents held	11,822,164	(3,161,468)
Cash and cash equivalents at beginning of period	26,359,534	6,681,193
Effect of exchange rate changes	(1,022,088)	590,615
Cash and cash equivalents at end of reporting period	37,159,610	4,110,340

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year consolidated financial statements are a general purpose financial report 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 this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 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, except as set out below.

Basis of Preparation

The half-year report has been prepared on an accruals basis and is based on historical cost. The company is domiciled in Australia.

The financial statements are 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.

Change in Presentation Currency

From 1 July 2011, Red Fork Energy Limited changed its presentation currency from AUD to USD, so as to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. As the principal activities of the Group are conducted through a subsidiary with a USD functional currency and these activities contribute to the majority of the Group's revenue and expenditure, the change in presentation currency will more accurately reflect these activities. The change in policy has been applied retrospectively, and prior period comparatives have been restated to reflect the change.

Significant Accounting Judgements and Key Estimates

The preparation of interim financial reports requires management to make judgements, 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 this interim report, 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 30 June 2011.

Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2011, 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 annual reporting periods beginning on or after 1 July 2011. 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 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 half-year ended 31 December 2011. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 December 2011 US$	31 December 2010 US$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Interest revenue	450,828	54,876
Oil and gas sales revenue	1,758,144	1,332,728
Amortisation expense	(525,564)	(246,917)
Gain/(loss) on foreign exchange movement	14,940	(181,749)

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2011 US$	30 June 2011 US$
Exploration and evaluation costs carried forward in respect of exploration areas of interest		
- Exploration and evaluation phases	19,694,305	19,694,305
Movement in carrying amounts		
Opening balance	19,694,305	4,811,900
Expenditure incurred during the year	6,209,454	15,198,564
Disposals	(57,847)	-
Transfer to production assets	(6,151,607)	(316,159)
Closing balance	19,694,305	19,694,305

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 4: PRODUCTION ASSETS

Opening balance	24,276,266	21,356,681
Additions	5,756,961	3,254,482
Disposals	(4,197)	-
Transfer from exploration and evaluation expenditure	6,151,607	316,159
Transfer to other assets	-	(7,286)
Depreciation/amortisation for the period	(383,200)	(643,770)
	35,797,437	24,276,266

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 5: PLANT EQUIPMENT AND PIPELINE

	Consolidated	
	31 December 2011 US$	30 June 2011 US$
Plant and equipment		
At cost	1,231,519	1,048,890
Accumulated depreciation	(271,937)	(212,224)
	959,582	836,666
Pipeline		
At cost	9,279,315	7,473,526
Accumulated depreciation	(492,349)	(421,652)
	8,786,966	7,051,874
	9,746,548	**7,888,540**

Plant and equipment		
At beginning of reporting period	836,666	825,898
Additions	210,342	156,653
Transferred to other assets	(26,350)	-
Depreciation charge for the period	(60,642)	(147,838)
Currency translation adjustment	(434)	1,953
	959,582	836,666
Pipeline		
At beginning of reporting period	7,051,874	6,454,914
Additions	1,805,787	1,011,063
Disposals	-	(66,195)
Transferred to other assets	-	(32,254)
Depreciation charge for the period	(70,695)	(315,654)
	8,786,966	7,051,874
	9,746,548	**7,888,540**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 6: ISSUED CAPITAL

	Consolidated	
	31 December 2011 US$	30 June 2011 US$
(a) Ordinary shares		
Issued and fully paid	113,921,922	87,488,262

	31 December 2011	
	Number	$
Movements in ordinary shares on issue		
At 1 July 2011	269,769,853	87,488,262
Shares issued during the period:		
- Placement at $0.69 each	40,460,000	27,861,565
Share issue costs	-	(1,427,905)
At 31 December 2011	310,229,853	113,921,922

(b) Options

Movements in options on issue		
At 1 July 2011	14,499,166	3,378,731
- Write back value of expired options	-	(1,032,922)
- Options cancelled	(9,600,000)	(1,554,909)
At 31 December 2011	4,899,166	790,900

(c) Performance Rights

Movements in performance rights on issue		
At 1 July 2011	-	-
Performance rights issued during the period	9,600,000	232,665
At 31 December 2011	9,600,000	232,665

NOTE 7: RESERVES

	Consolidated	
	31 December 2011 US$	30 June 2011 US$
Options reserve	790,900	3,378,731
Share based payment reserve	232,665	-
Foreign currency translation reserve	1,120,631	1,499,234
	2,144,196	4,877,965

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 7: RESERVES (CONTINUED)

	Consolidated	
	31 December 2011 US$	30 June 2011 US$
(a) Options Reserve		
Balance at the beginning of the period	3,378,731	2,994,107
Options issued	-	384,624
Options cancelled	(1,554,909)	-
Employee equity settled payments	50,788	-
Write back expired options in prior years	(1,083,710)	-
Balance at end of the period	790,900	3,378,731
(b) Share Based Payment Reserve		
Balance at the beginning of the period	-	-
Performance Rights issued	232,665	-
Balance at end of the period	232,665	-
(c) Foreign Currency Translation Reserve		
Balance at the beginning of the period	1,499,234	766,975
Movement during the period	(378,603)	732,259
Balance at end of the period	1,120,631	1,499,234

NOTE 8: ACCUMULATED LOSSES

Balance at the beginning of the period	(15,015,217)	(11,296,299)
Net loss for the period	(1,771,628)	(3,718,918)
Write back expired and cancelled options	2,638,619	-
	(14,148,226)	(15,015,217)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 9: SEGMENT REPORTING

Operating Segments by business activity

Reporting information presented to the Managing Director is categorised by the following business activities; Corporate and Oil and Gas in Oklahoma, USA.

Segment Information

The following tables presents revenue and results information regarding segment information provided to the Managing Director for the half year periods ended 31 December 2011 and 31 December 2010.

Segment performance

	Corporate	Oil and Gas	Total
	US$	US$	US$
31 December 2011			
Segment revenue	450,828	1,758,144	2,208,972
Segment results	(2,264,853)	493,225	(1,771,628)
Included within segment result:			
• Depreciation and amortisation	(3,413)	(522,151)	(525,564)
• Interest Revenue	450,828	-	450,828
Segment assets	34,286,300	69,971,510	104,257,810
Segment liabilities	(125,414)	(2,214,504)	(2,339,918)
31 December 2010			
Segment revenue	54,876	1,332,728	1,387,604
Segment results	(2,197,238)	301,298	(1,895,940)
Included within segment result:			
• Depreciation and amortisation	(1,987)	(244,930)	(246,917)
• Interest Revenue	54,876	-	54,876
30 June 2011			
Segment assets	24,960,373	54,259,190	79,219,563
Segment liabilities	(257,946)	(1,610,607)	(1,868,553)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11:EVENTS SUBSEQUENT TO REPORTING DATE

On 23 January 2012 the Company announced a successful addition of 13,000 net (select high grade) acres, located adjacent to or contiguous with the Company's existing Noble County holdings, secured through a Bureau of Land Management ("BLM") Federal Land lease sale. Red Fork secured the leases on very favourable terms, with a 10 year term and 87.5% Net Revenue Interest.

The Directors are not aware of any other matter or circumstances that has arisen since 31 December 2011 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 31 December 2011 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

Executive Director

Dated this 15th day of March 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Red Fork Energy Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Red Fork Energy Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of 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 summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company 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 half-year financial report based on our review. We conducted our review in accordance with 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 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 31 December 2011 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 the company, 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 have complied with the independence requirements of the *Corporations Act 2001*.

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
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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

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 31 December 2011 and of its performance for the half-year ended on that date; and

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
15 March 2012

M R W OHM
Partner