

Red Fork Energy Limited

(ACN 108 787 720)

Annual Financial Report

*For the year ended
30 June 2012*

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Michael Fry

MANAGING DIRECTOR

David Prentice

EXECUTIVE DIRECTORS

Perry Gilstrap - Operations

Bruce Miller - Resources

NON-EXECUTIVE DIRECTOR

Steve Miller

CHIEF FINANCIAL OFFICER

Kevin Humphrey

SENIOR VICE PRESIDENT LAND

Chris Girouard

COMPANY SECRETARY

Suzie Foreman

REGISTERED OFFICE - AUSTRALIA

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AUDITORS

HLB Mann Judd

Chartered Accountants

Level 4, 130 Stirling Street

PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

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APPLECROSS WA 6153

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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

Commonwealth Bank of Australia

150 St Georges Terrace

PERTH WA 6000

Bank of Oklahoma

Bank of Oklahoma Tower

P.O. Box 2300 Tulsa, OK 74192

WEBSITE

www.redforkenergy.com.au

CHAIRMAN'S LETTER

Dear Shareholder,

It is my pleasure to present the Red Fork Energy Limited Annual Report for the year ended 30 June 2012

The year in review has been a rewarding and exciting period for Red Fork Energy Limited.

The Company has experienced considerable growth as we continue to focus on accumulating and developing a large acreage position in the Mississippian Lime in the mid-continent region of the United States. With advances in drilling techniques and completion technology this conventional formation is being recognised as one of the premier oil and liquids rich gas plays in the United States. A number of large NYSE listed majors and foreign multinational oil companies are participating in development activity and competing for acreage in the region.

After selecting and building this acreage position in the preferred eastern limb of the Mississippian Lime in Oklahoma, the Company has now commenced development of the 'Big River' Project. This development activity includes the drilling of horizontal well bores, followed by completion and flow back operations before placing wells on production while simultaneously building mid-stream infrastructure with central delivery facilities for produced water and gas gathering systems. The pace of development has increased throughout the year.

We have expanded our US based operating team enhancing our capabilities in land management, engineering, geology, accounting and mid-stream construction to match our expanding operational responsibilities. This expansion is in line with our strategic plans to progress an aggressive development program for the Mississippi Lime deploying up to four drilling rigs.

The strategic objective of the four rig drilling program is to hold our existing acreage by production within the lease term. Once this large contiguous acreage position is held by production, we will be able to selectively determine preferential drilling locations and undertake an infill drilling program and tie new production into existing infrastructure further enhancing project economics.

This development strategy establishes a solid platform for the rapid growth in operations with a resultant increase in oil and gas production, revenue and reserves with the intention of building significant shareholder value over the coming year.

The Company continues to produce oil and gas from projects in West Tulsa, Osage and Eastern Oklahoma and maintains the gas gathering, processing and compression facilities at Wagoner. The Wagoner 'A' station is receiving production from the Eastern Oklahoma shale gas project and other third party production and has the ability to be ramped up pursuant to improvements in the price of gas in the US market.

I take this opportunity to thank our shareholders for their ongoing belief in the Company. They have continued to support the Company when we have required additional capital to expand and progress our business plans and this has been very much appreciated.

Similarly, thank you to my fellow directors for their support and contribution and to our Tulsa based management team for their outstanding efforts to build a solid and successful exploration and production company during the year.



Michael Fry
Chairman

28 September 2012

DIRECTORS' REPORT

The Directors submit their report for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act, the directors report as follows:

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Michael Fry	Non-Executive Chairman
Qualifications	B.Comm, F.Fin
Experience	Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of Financial Services Institute of Australasia, and is a past member of the ASX. Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies. Michael Fry is currently the non-executive chairman of Killara Resources Ltd, Norwest Energy NL and Challenger Energy Ltd. Mr Fry was a non-executive director of Liberty Resources Ltd.
Special Responsibilities	Michael Fry is a member of the audit committee and the chairman of the remuneration committee.
David Prentice	Managing Director
Qualifications	Grad. Dip BA, MBA
Experience	David Prentice's career includes more than 25 years experience in commercial management and business development within the natural resources sector, working for some of Australia's leading resource companies. This has included high-level commercial and operational roles with a number of listed and unlisted resource companies. David is currently a non-executive director of Jameson Resources Limited.
Bruce Miller	Executive Director – Resources and Vice President of Red Fork (USA) Investments Inc.
Qualifications	B.Sc. Geology, M.Sc. Geology
Experience	Bruce Miller has more than 30 years of geological experience, including well site supervision of over 400 wells in Oklahoma and Kansas, design and implementation of drilling programs and completions. His experience includes evaluation of both conventional and unconventional oil and gas prospects in Kansas, Oklahoma, Ohio and Texas. Bruce has also been involved in large CBM evaluation and development projects in Kansas and Oklahoma.

Perry Gilstrap Executive Director – Operations and President of Red Fork (USA) Investments Inc.

Experience Perry Gilstrap has over 40 years' experience in the Oil and Gas industry in various positions of operations and engineering. His education and training has been in engineering and petroleum companies in Oklahoma and Alaska. Perry's experience includes management of oil and gas drilling operations, design and construction of pipelines and gas gathering operations. He has been involved in the management of drilling programs and completions in both offshore for 7 years in Alaska and 15 years onshore in Texas, Oklahoma and Kansas. Perry has served as the CEO for an Oklahoma engineering and petroleum corporation and a drilling company based in Oklahoma.

Special Responsibilities Perry Gilstrap is a member of the audit committee.

Steve Miller Non-Executive Director

Experience Steve Miller is the President of Orion Exploration LLC ("Orion"), a privately held independent oil and gas company which is headquartered in Tulsa, Oklahoma and specialises in directional and horizontal drilling. Steve has extensive experience in corporate management of oil and gas exploration and production companies. Steve has served on the board of a number of Oklahoma corporations. His experience includes responsibility for overseeing areas of finance, reserve reporting, gas marketing and stock holder relations. Project generation and joint venture negotiations are also a strong area of experience.

Special Responsibilities Steve Miller is a member of the audit committee and a member of the remuneration committee.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Michael Fry	Liberty Resources Limited (formerly known as Liberty Gold NL)	19 July 2005 to 10 April 2012
	Challenger Energy Limited (formerly known as Sunset Energy Limited)	23 January 2007 to date
	Norwest Energy NL	8 June 2009 to date
	Killara Resources Limited	14 July 2008 to date
David Prentice	Challenger Energy Limited (formerly known as Sunset Energy Limited)	23 January 2007 to 26 March 2012
	Jameson Resources Limited	5 July 2007 to date
Bruce Miller	-	-
Perry Gilstrap	-	-
Steve Miller	-	-

Chief Financial Officer**Kevin Humphrey B.B.A, CPA**

Kevin Humphrey is a certified public accountant with extensive experience in the oil and gas industry. Mr. Humphrey's experience includes provision of audit and advisory services with Arthur Andersen, LLP, managing a portfolio of Oklahoma, Texas and New Mexico based energy customers with Bank of Oklahoma. Kevin was the Chief Financial Officer of Brighton Energy, Millbrae Energy and Mahalo Energy. Kevin was also a founding member and CFO for Eagle Energy of Oklahoma. Kevin joined Red Fork in August 2011.

Kevin is the chairman of the audit committee and secretary of the remuneration committee.

Senior Vice President – Land**Chris Girouard B.B.A, Certified Professional Landman**

Chris Girouard has extensive experience in land management of oil and gas exploration and production companies including Texas Oil and Gas Corporation, Esses Exploration Inc., Medallion Petroleum and Brighton Energy etc. Chris joined Red Fork on 1 April 2012.

Company Secretary**Suzie Foreman B.Com, CA**

Suzie Foreman is a chartered accountant with over 15 years of commercial experience within the United Kingdom and Australia. Suzie has 9 years' combined experience with KPMG and a boutique accounting firm specialising in the provision of audit, advisory and corporate services. Suzie also has extensive skills in the areas of financial and management reporting, due diligence and ASX and ASIC corporate and regulatory compliance. Suzie has been involved in the listing of eleven exploration companies on the ASX and AIM markets in the last five years with capital raising exceeding \$65 million. Suzie is also Company Secretary to ASX listed companies Jameson Resources Limited, Killara Resources Limited and Merah Resources Limited. Suzie is a non-executive director of Merah Resources Limited.

Suzie Foreman is the secretary of the audit committee.

CORPORATE INFORMATION**Corporate Structure**

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

Nature of operations and principal activities

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

On 30 November 2011, shareholders approved the issue of 9.6 million performance rights to Directors. Further details are contained in note 17(c) iii to the financial statements. On 1 December 2011 the Company announced the cancellation of 9.6 million options previously issued to Directors.

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.

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 financial year.

REVIEW OF OPERATIONS

Overview

Red Fork is an independent oil and gas exploration and production company focussed in the mid-continent of the United States. The Company is listed on the Australian Securities Exchange (RFE.AX) and the OTCQX (RDFEY).

Red Fork Energy has a large landholding in Oklahoma with leasehold and held by production acreage covering both proven producing oil and gas fields as well as highly prospective development acreage. The Company has positioned itself in one of the premier on-shore United States horizontal oil resource plays, with a large and growing acreage position in the heart of the exciting Mississippi Lime oil and liquids rich gas play.

Whilst the Company, owns and operates four projects in Oklahoma: Big River (Mississippi Lime), East Oklahoma, West Tulsa and Osage, the clear focus during the reporting period has been the expansion and development of the Mississippian holdings within the Big River Project.

Big River Project (Mississippian Oil & Liquids Rich Gas)

During the year the Company continued with and significantly expanded its push into the oil rich Eastern Limb of the Mississippian play in Northern Oklahoma. Targeting five key counties predominantly east of the *Nemaha Ridge*, the Company increased its leasehold position to 75,000 acres and expanded its initial 2011 drilling program from five horizontal wells to sixteen (gross) wells to be drilled by the end of calendar 2012.

The Company has identified ten Development Areas across the five counties with the initial focus on Development Area's 1 and 2 where Red Fork has already established key gas gathering and produced water disposal infrastructure.

In addition the Company commenced a large 3D seismic program which, when completed in 2013, will secure in excess of 100 square miles of coverage underpinning the current forward (held by production) horizontal drilling program well into 2015.

The Company's initial horizontal drilling program commenced in August 2011 with the spud of the *Tahara #1-28H* well in Development Area 1. This well subsequently reached target depth and was successfully stimulated and completed for production with testing delivering an initial production rate of 283 barrels of oil equivalent ("boe") and a 30-day average rate ("IP30") of 139 boe/day.

The drilling program continued throughout the reporting period with a further six horizontal wells spudded, one in Development Area 1 and five in Development Area 2. As at the balance date the Company had two rigs operating in the Mississippian play. The following table outlines the drilling and completion progress at Big River to date.

Well Name	RFE WI ¹	Status	Peak Rate (Boe/d) ²	IP30 (Boe/d)	Development Area
<i>Tahara #1-28H</i>	100.0%	Producing	283	139	1
<i>Abunda #1-21H</i>	100.0%	Testing ³	N/A	N/A	1
<i>McMurtry #1-21H</i>	62.2%	Producing	712	445	2
<i>Blair #1-24H</i>	92.7%	Producing	400	273 ⁴	2
<i>Tasman #1-15H</i>	92.0%	Testing	N/A	N/A	2
<i>McMurtry #1-22H</i>	59.2%	Completing	N/A	N/A	2
<i>Bunch #1-19H</i>	94.9%	Awaiting completion	N/A	N/A	2
<i>State #1-16H</i>	62.0%	Awaiting completion	N/A	N/A	2
<i>State #1-13H</i>	50.0%	Awaiting completion	N/A	N/A	2
<i>Warburton #1-23H</i>	61.5%	Drilling	N/A	N/A	2
<i>Mawson #1-3H</i>	100.0%	Drilling	N/A	N/A	3

Notes:

1. Red Forks Working Interest
2. The equivalent barrels production rate has been calculated on a simple 6:1 ratio
3. Well is still testing
4. 21-day average rate – this well was temporarily shut-in as drilling operations (State #1-13 well) were underway on this dual location.

East Oklahoma Project (Shale Gas)

During the 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.

Other Conventional Oil & Gas

The Company maintained production from its West Tulsa and Osage conventional oil and gas projects during the period. The focus here is to sustain production with minimal capital expenditure and at the lowest possible production cost to generate cash flow from what is predominantly held by production acreage that does not have ongoing drilling commitments.

Company Structure

During the financial year, the Group significantly enhanced its United States based executive team with the appointment of Mr. Kevin Humphrey as the Chief Financial Officer and Mr. Chris Girouard as Senior Vice President Land. The Company is pleased to have been able to attract the services of these very experienced senior executives.

Reserves

As at the balance date the Company had engaged Lee Keeling & Associates, Inc. (“Lee Keeling”) to review and update its oil and gas reserves. As at the date of this report this review was ongoing. This latest review will include a preliminary examination of Red Fork’s holdings in the Mississippian play as well as a review of the Company’s dry gas and conventional oil and gas assets. This report (which given the early stage of development at Red Fork’s Mississippian holdings is likely to include an assessment of the acreage initially at the Possible and Resource level) is expected to be available in the end of September quarter of 2012.

FINANCIAL REVIEW

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

Revenue from oil and gas sales and gathering and processing income amounted to \$4.4 million, compared to \$3 million for the previous year, an increase of 44%. The increase in overall revenues reflects higher production levels supported by robust oil prices during the period. Gross profits increased to US\$2.7 million for the year (up from US\$1.6 million in 2011).

Volume: In equivalent terms, overall gross production for the year was 126 Mboe. On a net revenue interest basis Red Fork produced 31,536 BO, a significant increase from 19,411 BO produced in the corresponding 2011 year. Net gas produced also increased from 350,530 MCF to 393,360 MCF for the current year.

Price: Average gross sales prices received for the reporting period were higher for oil being US\$93 per BO compared to US\$87 in 2011; and average gas prices declined compared to the prior corresponding period from US\$3.89 per MCF to US\$2.48 per MCF in the current year. Red Fork sells gas from West Tulsa and Osage through a percentage of proceeds gas gathering contract.

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.

Financial position

The Company has cash funds on hand of \$20.7 million at year-end. The ramp up in leasing activities and exploration predominantly in the Company's Mississippian play has increased exploration assets held to a value of \$25 million. Production, plant equipment and pipeline assets are now held to a value of \$58 million, arising from the acceleration of drilling, development and production activities.

Operating and financial results for the year

Red Fork Energy participated in the exploration and production of oil and gas in Oklahoma, U.S.A. Net proceeds from oil and gas sales and gathering and processing income during the year amounted to approximately US\$4.4 million following the deductions of royalties and other statutory charges (2011: US\$3.0 million).

Gross profitability for the Group increased by 69% to \$2.7 million from US\$1.6 million in the prior corresponding year. The increase is a result of higher oil prices, however also reflects the efforts of the Company on maintaining its very low gathering and processing costs particularly in the gas market where prices have decreased significantly during the year.

Operating results for the Group amounted to an after tax loss of US\$6.2 million (2011: US\$3.7 million). The increase in net loss in the current year was attributable to the significant increase in non-cash amortisation expense in oil and gas properties from US\$1.1 million in the prior year to US\$3.0 million, as more oil and gas producing properties were brought online during the year. Equity based payments increased from US\$0.4 million in prior year to US\$1.6 million mainly due to the value attributed and expensed in relation to the issue of 9,600,000 performance rights. Further details of the performance rights are contained in Note 17(c) iii of the Notes to the financial statements. None of the performance rights have fully vested at the year end date.

EBITDA (Earnings before Income Tax, Depreciation and Amortisation) was a loss of US\$3.2 million (2011: US\$2.6 million), however after also deducting the effects of non-cash equity compensation the loss for the period was US\$1.6 million compared to US\$2.2 million in the previous year.

	2012	2011	2010
	US\$'000s	US\$'000s	US\$'000s
Revenues	4,395	3,034	2,644
Gross profit	2,651	1,569	1,091
Earnings Before Income Tax, Depreciation, Amortisation and Equity Compensation	(1,645)	(2,227)	(2,280)
Net profit (loss) after income tax	(6,253)	(3,719)	(2,822)
Basic loss per share (cents)	(2.14)	(2.30)	(2.14)

DIVIDENDS PAID OR RECOMMENDED

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

AFTER BALANCE DATE EVENTS

On 10 August 2012 the Company announced it had entered into an agreement with Euroz Securities Limited to act as Underwriter and Lead Manager to a placement and E.L. & C. Baillieu Stockbroking as broker to the issue, to raise A\$50 million (before costs of issue) via an underwritten placement of approximately 74.63 million new ordinary shares at an issue price of \$0.67 per share to qualified institutional and sophisticated investors.

The placement was approved by shareholders at an Extraordinary General Meeting held on Thursday, 13 September 2012, and the securities were issued on 17 September 2012.

The additional funding will allow the Company to continue and accelerate its aggressive operated Mississippian project drilling program, maintain on-going leasing within the Mississippian play and provide additional working capital.

The Directors are not aware of any other matter or circumstances that has arisen since 30 June 2012 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The primary objective of Red Fork Energy is to develop a successful focused oil & gas exploration and production business.

The Company will continue to explore, appraise and develop oil and gas in mid-continent United States. The Company will also continue to add to its holdings through its successful ongoing leasing activities (specifically at the 100% owned Big River project). The Company will continue to expand the scale, capacity and capability of its mid-stream business. Drilling activity is scheduled to accelerate during the 2013 financial year with 3 drilling rigs on line and a 4th scheduled to move in place during the third quarter of the financial year.

ENVIRONMENTAL REGULATIONS AND PROCEEDINGS

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

Red Fork Energy is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations. There have not been any known breaches of the consolidated entity's obligations under these environmental regulations during the year under review and up to the date of this report. Given the location of the Group's operations in the USA, both the *Energy Efficiency Opportunities Act 2006* and the *Nation Greenhouse and Energy Reporting Act 2007* are not expected to have a material impact.

EMPLOYEES

Red Fork Energy Limited has 23 full time employees. The Managing Director, David Prentice, who is responsible for managing the corporate and financial aspects of the Company, is based in Perth, Australia. The operations of the Company (including exploration, development, production, engineering, land administration and general administration) are managed and supervised by the Company's 100% owned operating subsidiary Red Fork (USA) Investments, Inc. from its office located in Tulsa (Oklahoma). The operating subsidiary employs 22 full time employees and a number of contract employees from time to time as operations demand. Mr Perry Gilstrap, President of Red Fork (USA) Investments, Inc and Director of Red Fork Energy Limited and Mr Bruce Miller Director of Red Fork Energy Limited are based in Tulsa (Oklahoma) and are both full time employees.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year each director held office and the number of meetings attended by each director are:

Director	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Meetings Attended	Number Eligible to Attend	Meetings Attended	Number Eligible to Attend	Meetings Attended	Number Eligible to Attend
Michael Fry	6	6	2	3	1	1
David Prentice	6	6	-	-	-	-
Bruce Miller	6	6	-	-	-	-
Perry Gilstrap	6	6	3	3	-	-
Steve Miller	6	6	3	3	1	1

Details of the relevant memberships of the Committees are presented in the Corporate Governance Statement.

OPTIONS

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

Type	Date of Expiry	Exercise Price AUD	Number Under Option
Unlisted Options	30 June 2014	\$0.65	1,600,000
Unlisted Options	30 June 2014	\$0.35	708,333
Unlisted Options	30 June 2014	\$0.45	708,333
Unlisted Options	30 November 2014	\$1.20	1,262,000

A total of 9,600,000 directors options were cancelled during the financial year ended 30 June 2012. Subsequent to the end of financial year 2012, a further 325,000 employee options were cancelled, 200,500 employee options expired unexercised and 95,000 employee options were exercised.

Directors' holdings of shares and share options have been disclosed in the Remuneration Report and note 17 of the Financial Report. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

PERFORMANCE RIGHTS

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

Type	Date of Expiry	Number Under Performance Rights
Tranche A (i)	30 April 2016	3,600,000
Tranche B (ii)	30 April 2016	3,000,000
Tranche C (iii)	30 April 2016	3,000,000

The above performance rights have the following vesting conditions:

- (i) Receipts from sales must exceed US\$8 million per annum for two consecutive fiscal quarters annualized.
- (ii) Receipts from sales must exceed US\$16 million per annum for two consecutive fiscal quarters annualized.
- (iii) Receipts from sales must exceed US\$30 million per annum for two consecutive fiscal quarters annualized.

INDEMNIFYING OFFICERS OR AUDITOR

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

The Company currently has a directors' and officers' liability insurance in place. A total premium of \$23,849 had been paid for cover period from 1 May 2012 to 30 April 2013. Under the terms of the policy, the Company is covered for a limit of up to \$10 million in aggregate against loss by reason of a wrongful act by the directors and officers during the period of insurance. No excess fee is payable for loss from such claims. The Company is also insured for the reimbursement of any payment by the Company following a successful defence of any wrongful act committed or alleged to have been committed by a Director or Officer of the Company during the period of Insurance. An excess fee of \$25,000 is payable for loss from such claims made in Australia and US\$75,000 is payable for loss from such claims made in the US.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 23 and forms part of this directors' report for the year ended 30 June 2012.

NON AUDIT SERVICES

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

REMUNERATION REPORT (Audited)

Remuneration Policy

The Remuneration Report is set out under the following main headings:

- A Introduction
- B Principles used to determine the nature and amount of remuneration
- C Details of remuneration
- D Share-based remuneration
- E Service agreements

A Introduction

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

Michael Fry	–	Non-Executive Chairman
David Prentice	–	Managing Director
Perry Gilstrap	–	Executive Director
Bruce Miller	–	Executive Director
Steve Miller	–	Non-Executive Director
Kevin Humphrey	–	Chief Financial Officer
Suzie Foreman	–	Company Secretary

B Principles used to determine the nature and amount of remuneration

(i) Remuneration governance and the role of the Remuneration Committee

The Board is responsible for ensuring Red Fork's remuneration strategy is aligned with Company performance and shareholder interests and equitable for participants. The Board of Red Fork Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create goal congruence between directors and shareholders. To assist with this, the Board has established a Remuneration Committee consisting of the majority of Non-Executive Directors:

Michael Fry - Non-Executive Chairman and Chair of the Remuneration Committee

Steve Miller - Non-Executive Director

Kevin Humphrey – Chief Financial Officer and Secretary of the Remuneration Committee

The Remuneration Committee's objective is to support and advise the Board in fulfilling its oversight responsibility by focusing on the Company's approach to Board and executive remuneration plus the use of equity generally across the Company. Further details of the role of the Remuneration Committee are set out in the Remuneration Committee Charter that can be accessed on the Company's website.

To ensure the Remuneration Committee is fully informed when making remuneration decisions, the Remuneration Committee seeks external advice, as required, on remuneration policies and practices.

(ii) Summary of principles and the components of remuneration

The objective of the Group's remuneration framework is to ensure reward for performance is competitive and appropriate for results delivered. To this end, the Company embodies the following principles in its remuneration framework:

- Remuneration should facilitate the delivery of long term results for the business and its shareholders;
- Remuneration should support the attraction, retention, motivation and alignment of the talent needed to

achieve the organisation's goals;

- Remuneration should reinforce leadership, accountability, teamwork and innovation; and
- Remuneration should be aligned to the contribution and performance of the business, teams and individuals.

The remuneration policy of Red Fork Energy Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the directors and other senior staff members, was developed and approved by the Board.

Directors' remuneration and other terms of employment are reviewed annually by the remuneration committee comprising a majority of non-executive directors having regard to performance against goals set at the start of the year, and relative comparative information.

In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices. Directors and Executives' performance is also subject to ongoing monitoring by the Remuneration Committee.

Except as detailed in the remuneration report, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (a) – (d) to the remuneration report, or the fixed salary of a full time employee of the Company.

Options and Performance Rights issued as Part of Remuneration

The Directors' emoluments are comparable to similar companies within the industry. The Groups performance and Directors emoluments are aligned via Director incentive performance rights which were issued in December 2011 whose vesting conditions are related to achieving specified sales targets. These performance rights were issued under the Red Fork Performance Rights Plan approved by the shareholders during the financial year.

All directors, executives and employees have the opportunity to qualify for participation in the Performance Rights Plan, which provides a production / sales value incentive target. In accordance with the provisions of the Plan, the Group's personnel may be granted performance rights which upon vesting will convert into ordinary shares in the Company.

The Group also has an ownership based compensation scheme for personnel (including Directors). All directors, executives and employees have the opportunity to qualify for participation in the Employee incentive Option Scheme, which provides incentives based upon share price growth. In accordance with the provisions of the Scheme, the Group's personnel may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Board at the time the option is granted. The Company has now ceased the use of this Scheme. Details regarding the issue of share options and performance rights under these plans are provided in Note 17 to the Financial Statements and Section D below.

(iii) Non-Executive Director Remuneration

The Non-Executive Directors receive a fixed fee including statutory superannuation. Director fees are inclusive of committee fees. Due to the cash limitations of the Company as an early state producer and development entity, the Company also uses equity based remuneration (performance rights or options) for non-executive directors as an incentive to retain and attract high quality directors.

The Company has now ceased the use of share options. No other variable remuneration incentive plans are offered. No termination or retirement benefits are provided, other than compulsory superannuation.

Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum and was approved by shareholders at the 2007 Annual General Meeting.

Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Director's fees are reviewed annually by the Remuneration Committee and the Company seeks to position fees in line with other ASX listed companies.

Fees for non-executive directors are not linked to the performance of the Company, however, to align directors' interests with shareholder interests, the directors may hold shares in the Company, but are governed by the Company's Securities Trading Policy.

(iv) Executive remuneration

a) Approach to setting remuneration levels

Each year, the Remuneration Committee considers the appropriate level of remuneration, as well as the mix and structure of fixed and variable remuneration, for each executive. The Company broadly seeks to position fixed remuneration in line with similar ASX listed companies and, in the case of US executives, in line with similar US companies. Individual positioning of remuneration depends on this positioning aspiration plus consideration of experience, individual performance and the Company's circumstances.

When setting remuneration, the Remuneration Committee also seeks to establish an appropriate mix between fixed and variable remuneration. Directors and the executives receive a base salary, based on factors such as length of service and experience, superannuation and fringe benefits, together with incentive based remuneration which is equity based.

For the 2011-2012 year, the remuneration packages of Executives were based largely on fixed remuneration, and performance rights issued.

As part of the current review of the executive remuneration approach, consideration is being given to the appropriate mix of fixed and variable remuneration.

b) Fixed remuneration

Base salary is designed to align to the value the individual provides to the Group including the following:

- Skills and competencies needed to generate results;
- Sustained contribution to the team and Group; and
- The value of the role and contribution of the individual in the context of the external market.

Employer superannuation contributions are made into a complying superannuation fund at the required Superannuation Guarantee rate (currently 9%) of base salary for Australia-based executives. For USA based executives, retirement benefits are paid in accordance with 401k requirements.

In line with prevalent market practice, Australia-based executives may receive other benefits including vehicle benefits. USA-based executives may receive Health Plan benefits

c) Short-term incentives (STI)

Bonuses are based on employees' performances. A bonus of up to 15% of an employee's salary can be paid under the STI scheme.

d) Long-term incentives (LTI)

The current LTI plan is the Red Fork Performance Rights Plan. The plan enables the Board upon recommendation from the Remuneration Committee to grant Performance Rights to directors, executives and employees (Eligible Participants) with effect from the date determined by the Board, upon the terms set out in the Plan and upon such additional terms and Vesting Conditions as the Board determines. The current vesting conditions are specified sales revenue targets. Upon achievement the Performance Rights will convert into fully paid ordinary shares in the Company on a one for one basis, but do not have any value to the Eligible Participant until the Vesting Criteria are met, and hence the performance targets are achieved. This structure provides an incentive for executives to focus on growing revenues. Performance Rights granted under the plan carry no rights to dividend or voting rights.

The Red Fork Performance Rights Plan supersedes the former Red Fork Share Option Plan.

All remuneration paid to directors is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology. Performance Rights are valued at the prevailing share price at the time the Performance Rights are granted discounted for the probability of the specified vesting conditions being achieved at that time.

During the year, the Board resolved to issue 9.6 million unlisted Performance Rights to the directors following shareholder approval at a general meeting of shareholders held on 30 November 2011. Further details are contained in Note 17(c) iii to the financial statements.

e) Link between performance and executive remuneration

The focus of executive remuneration over the financial year was predominantly fixed remuneration. The review of our executive remuneration approach and implementation of the Performance Rights Plan and associated individual rights seeks to ensure that executive remuneration is appropriately aligned with the business strategy and shareholder interests.

During the financial year the Company's share price traded between a low of \$0.37 and a high of \$1.17. The price volatility is a concern to the Board but is not considered abnormal for an oil & gas production and development company such as Red Fork. In order to keep all investors fully-informed and minimise market fluctuations the Board is determined to maintain promotional activity amongst the investor community so as to increase awareness of the Company.

A performance bonus of up to 15% of the executives' salary package can be paid under the Company's STI scheme. This was reviewed by the remuneration committee during the year. The awards are detailed in Note C(ii) of the Remuneration Report.

C Details of Remuneration

(i) Remuneration paid to Directors and Executives is set out below:

	Primary		Equity Compensation		Post-employment	TOTAL
	Base Salary and Fees	Bonus and Non Monetary Benefits (vii)	Value of Options (v)	Value of Performance Rights (vi)	Superannuation Contributions	
	US\$	US\$	US\$	US\$	US\$	US\$
Directors						
David Prentice (i)						
2012	427,961	14,607	-	440,063	15,681	898,312
2011	408,622	-	6,739	-	14,973	430,334
Michael Fry						
2012	92,855	-	-	-	-	92,855
2011	88,659	-	-	-	-	88,659
Bruce Miller						
2012	263,682	18,427	-	440,063	-	722,172
2011	269,106	-	6,739	-	-	275,845
Perry Gilstrap						
2012	363,857	55,323	-	440,063	-	859,243
2011	356,061	7,192	6,739	-	-	369,992
Steve Miller						
2012	62,082	-	-	264,038	-	326,120
2011	59,106	-	41,609	-	-	100,715
Executives						
Kevin Humphrey (ii)						
2012	206,250	2,465	-	-	-	208,715
2011	-	-	-	-	-	-
Chris Girouard (iii)						
2012	56,250	3,332	-	-	-	59,582
2011	-	-	-	-	-	-
Suzie Foreman (iv)						
2012	95,893	-	-	-	-	95,893
2011	54,583	-	-	-	-	54,583
Total 2012	1,568,830	94,154	-	1,584,227	15,681	3,262,892
Total 2011	1,236,137	7,192	61,826	-	14,973	1,320,128

- (i) Executive Services Agreement renewed on 1 July 2012. Refer to Note 17(f) for details.
- (ii) Appointed as Chief Financial Officer on 1 August 2011.
- (iii) Appointed as Senior Vice President – Land on 1 April 2012.
- (iv) Athena Corporate Pty Ltd, a company Ms Foreman has an interest in, receives these fees from Red Fork Energy Limited for corporate, accounting and company secretarial services. These are provided on normal commercial terms.
- (v) In accordance with AASB 2, options issued to Directors in previous years have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is included in total Directors' Remuneration, it should be noted that the Directors have not received this amount and the option may have no actual financial value unless the options achieve their exercise price. For details of inputs to the model used, refer note 26.
- (vi) In accordance with AASB 2, performance rights issued to Directors in the current financial year have been valued based on factors such as the underlying share price, the expected vesting date, vesting probability in achieving the specified revenue hurdles at the reporting date. Although a value is included in total Directors' Remuneration, it should be noted that the Directors have not received this amount and the performance rights may have no actual financial value unless the required performance hurdles are achieved. For details of inputs to the valuation, refer note 26.
- (vii) Bonuses are based on employee performances. A bonus of up to 15% of an employee's salary can be paid under the Company's Short-Term Incentives as disclosed in the Remuneration Report.

(ii) Bonuses included in Remuneration

Bonuses paid to key management personnel during the year ended 30 June 2012, or since the reporting date as follows:

	2012 US\$	2011 US\$
<u>Directors</u>		
David Prentice	-	-
Michael Fry	-	-
Bruce Miller	15,095	-
Perry Gilstrap	45,200	-
Steve Miller	-	-
<u>Executives</u>		
Kevin Humphrey	-	-
Chris Girouard	-	-
Suzie Foreman	-	-
Total	60,295	-

D Share-based remuneration

(i) Option plans in existence during the financial year

The Red Fork Share Option Plan is described in Section B. On 1 December 2011 the Company announced the cancellation of 9.6 million options previously issued to the Directors. There are no current outstanding option grants at the date of this report.

The following table discloses the value of options granted in 2012 and prior periods, exercised, lapsed and cancelled during the year:

Director	Options Granted	Options Exercised	Options Cancelled	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options %
	Value at grant date	Value at exercise date	Value at time of cancellation			
	AUD	AUD	AUD	AUD	AUD	
David Prentice						
- Tranche D	2,073	-	2,073	-	-	-
- Tranche E	2,047	-	2,047	-	-	-
	4,120	-	4,120	-	-	
Michael Fry						
- Tranche D	-	-	-	-	-	-
- Tranche E	-	-	-	-	-	-
	-	-	-	-	-	
Bruce Miller						
- Tranche D	2,073	-	2,073	-	-	-
- Tranche E	2,047	-	2,047	-	-	-
	4,120	-	4,120	-	-	
Perry Gilstrap						
- Tranche D	2,073	-	2,073	-	-	-
- Tranche E	2,047	-	2,047	-	-	-
	4,120	-	4,120	-	-	
Steve Miller						
- Tranche D	-	-	-	-	-	-
- Tranche E	37,548	-	37,548	-	-	-
	37,548	-	37,548	-	-	
Total	49,908	-	49,908	-	-	

(ii) Performance rights in existence during the financial year

	Executive	Grant date	No. of performance rights	Estimated vesting and exercise date	Expiry date	Fair value per performance right at grant date (AUD)
A	David Prentice	30/11/2011	1,000,000	30/09/2012	30/04/2016	\$0.62
B	David Prentice	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
C	David Prentice	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
A	Bruce Miller	30/11/2011	1,000,000	30/09/2012	30/04/2016	\$0.62
B	Bruce Miller	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
C	Bruce Miller	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
A	Perry Gilstrap	30/11/2011	1,000,000	30/09/2012	30/04/2016	\$0.62
B	Perry Gilstrap	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
C	Perry Gilstrap	30/11/2011	1,000,000	30/04/2016	30/04/2016	\$0.62
A	Steve Miller	30/11/2011	600,000	30/09/2012	30/04/2016	\$0.62

When exercisable each performance right is converted into one ordinary share of Red Fork Energy Limited. For details on the valuation of the performance rights, including models and assumptions used, please refer to Note 17. There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date.

The following table illustrates the parameters used in valuing the performance rights granted to Directors of the Company:

	Performance Rights Tranche A	Performance Rights Tranche B	Performance Rights Tranche C
Grant date	30 November 2011	30 November 2011	30 November 2011
Expiry date	30 April 2016	30 April 2016	30 April 2016
Share price on grant date	\$0.62	\$0.62	\$0.62
Vesting probability	50%	30%	15%

The above performance rights have the following vesting conditions:

- (i) Tranche A will vest upon Red Fork's receipts from sales exceeding US\$8 million per annum for two consecutive fiscal quarters annualized.
- (ii) Tranche B will vest upon Red Fork's receipts from sales exceeding US\$16 million per annum for two consecutive fiscal quarters annualized.
- (iii) Tranche C will vest upon Red Fork's receipts from sales exceeding US\$30 million per annum for two consecutive fiscal quarters annualized.

The following table discloses the value of performance rights granted, exercised or lapsed during the year:

	Rights Granted	Rights Exercised	Rights Lapsed	Total value of performance rights granted, exercised and lapsed	Value of performance rights included in remuneration for the year	Percentage of total remuneration for the year that consists of performance rights %
	Value at grant date	Value at exercise date	Value at time of lapse			
Director	AUD	AUD	AUD	AUD	AUD	
David Prentice						
- Tranche A	435,016	-	-	435,016	435,016	48.99%
- Tranche B	-	-	-	-	-	-
- Tranche C	-	-	-	-	-	-
	435,016	-	-	435,016	435,016	
Michael Fry						
- Tranche A	-	-	-	-	-	-
- Tranche B	-	-	-	-	-	-
- Tranche C	-	-	-	-	-	-
	-	-	-	-	-	
Bruce Miller						
- Tranche A	435,016	-	-	435,016	435,016	60.94%
- Tranche B	-	-	-	-	-	-
- Tranche C	-	-	-	-	-	-
	435,016	-	-	435,016	435,016	
Perry Gilstrap						
- Tranche A	435,016	-	-	435,016	435,016	51.22%
- Tranche B	-	-	-	-	-	-
- Tranche C	-	-	-	-	-	-
	435,016	-	-	435,016	435,016	
Steve Miller						
- Tranche A	261,010	-	-	261,010	261,010	80.0%
- Tranche B	-	-	-	-	-	-
- Tranche C	-	-	-	-	-	-
	261,010	-	-	261,010	261,010	
Total	1,566,058	-	-	1,566,058	1,566,058	

(iii) Shares, Options and Performance Rights holdings

The following relevant interests in shares and options of the Company or a related party were held by the directors as at the date of the report:

Directors	Number of Shares	Number of Options	Number of Performance Rights
Michael Fry	1,894,774	-	-
David Prentice	1,747,441	-	3,000,000
Bruce Miller	582,746	-	3,000,000
Perry Gilstrap	700,000	-	3,000,000
Steve Miller	-	-	600,000

E Service Agreements

For further details on contracts of employment, refer to Note 17 of the Financial Report.

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



David Prentice
Executive Director

28 September 2012



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Red Fork Energy Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Red Fork Energy Limited.

A handwritten signature in blue ink, appearing to read 'M R W OHM', is positioned above the printed name.

Perth, Western Australia
28 September 2012

M R W OHM
Partner, HLB Mann Judd

Corporate Governance Statement

The Board of Directors of Red Fork Energy Limited ("Red Fork Energy" or the "Company") is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council ('CGC') published guidelines as well as its corporate governance principles and recommendations.

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

Red Fork Energy Limited's corporate governance practices were in place throughout the year ended 30 June 2012 and were updated during the year to comply with the Council's best practice recommendations. They are available on the Company's website: www.redforkenergy.com.au. This statement reflects Red Fork Energy's corporate governance system in place during the 2012 financial year and as at the date of this report. It provides details of the Company's compliance with those Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Principle 1: Lay Solid Foundations for Management and Oversight

1.1 Board Charter

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

Principle 2: Structure the Board to Add Value

2.1 Composition of the Board

The Board consists of a non-executive chairman, three (3) executive directors and one (1) non-executive director. Details of their skills, experience and expertise and the period of office held by each director have been included in the Directors' Report. The number of board meetings and the attendance of the directors are set out in the Directors' Report.

The roles of Chairman and the Managing Director are not exercised by the same individual. The role of Managing Director is carried out by Executive Director, Mr David Prentice. The Board Charter summarises the roles and responsibilities of the Chairman, Mr Michael Fry and the Managing Director, Mr David Prentice.

2.2 Independence of non-executive directors and the Chairman of the Board

The Board has assessed the independence of the non-executive director and the Chairman using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1. The Chairman, Mr Fry satisfies the tests of independence as detailed in the Recommendations.

Although Mr Fry holds 1,894,774 fully paid ordinary shares in the Company, the Board considers it as immaterial. Mr Fry is regarded as independent as he is not a substantial shareholder as defined by the Corporations Act.

The Non-executive director, Mr Steve Miller does not satisfy the test of independence this year due to his interest in Orion and Mid America Field Services, which receives fees from Red Fork Energy Limited for the provision of engineering and drilling supervision services on normal commercial terms. ASX Corporate Governance guidelines stipulate that an Independent Director is a Non-Executive Director and:

- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.

The Company does not comply with Recommendation 2.1 in that the majority of directors are not independent. The Board has recognised this departure and recognizes the importance of independent judgment, perspective and advice that independent non-executives can bring to the Company. The Board is currently in the process of identifying, reviewing and selecting for appointment further independent non-executive directors. An update will be provided to the market once a suitable appointment is made.

2.3 Nomination Committee

The Company does not have an existing Nomination Committee as recommended in Recommendation 2.4. As the whole Board only consists of five (5) members, it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. Currently the Board as a whole performs this role.

2.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's target market, in particular senior oil and gas technical, exploration and production relevant operational experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience. The Board is responsible for implementing a program to identify, assess and enhance director competencies and puts in place succession plans to ensure an appropriate mix of skills, experience, expertise and diversity are maintained on the Board. The Company's Director Selection Procedure is located on its website.

2.5 Board renewal and succession planning

The appointment of directors is governed by the Company's Constitution and the Board Charter. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election. The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

2.6 Evaluation of the performance of the Board, its committees and individual directors

The performance evaluation process of the Board and individual directors are the responsibilities of the Remuneration Committee as detailed in the Company's Remuneration Committee Charter. The Board is charged with the responsibility of evaluating its committees' performance in accordance with the Board Charter. The objective of this evaluation will be to provide best practice corporate governance to the Company. Both the Remuneration Committee Charter and Board Charter are available at the Company's website.

2.7 Induction and education

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

2.8 Access to information and advice

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**3.1 Code of Conduct**

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Red Fork Energy's commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

3.2 Trading in Company Shares

On 29 December 2010 the Board reviewed and adopted a new Share Trading Policy which included restrictions on trading in closed periods, complying with the ASX Listing Rule requirements. Securities include shares, options, warrants, debentures and any other security on issue from time to time. This policy is separate from and additional to the legal constraints imposed by the common law, the Corporations Act and ASX Listing Rules.

The policy applies to all employees and directors of Red Fork Energy and their associates (including spouses, children, family trusts and family companies) ("Restricted Persons"). Restricted Persons may only trade in Red Fork Energy securities during prescribed trading windows and only then if they are not in possession of inside information. All directors and employees are required to seek approval before trading in Red Fork securities during the trading windows. The Board periodically reminds Directors, senior executives and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

The Board also periodically reminds Directors of their obligations to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met.

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

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

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

3.3 Conflicts of Interest

Directors must:

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

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

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

3.4 Related Party Transactions

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

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

3.4 Diversity Policy

The Company has a diversity policy to provide an environment in which all employees and consultants are treated with fairness and respect, and have equal access to opportunities available at work regardless of gender, age, disability, marital status, sexual orientation, religion, ethnic or any other area of potential difference.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 3.2.

The Company currently has 23 permanent employees. During 2012 financial year, the proportion of female appointed by the Company is as follows:-

- (i) 0% at the Board level;
- (ii) 9% at senior management level, and
- (iii) 35% in the organisation as a whole.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring progress of the Company towards them on a regular basis. At this stage the Board is working towards defining measurable objectives to achieve recommendations set out in Principle 3.3.

The Code of Conduct is available on Red Fork Energy Limited website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

The Company has an Audit Committee consisting of five (5) members as follows:-

- Kevin Humphrey – Chief Financial Officer and Chair of the Committee
- Michael Fry – Chairman of Red Fork Energy
- Steve Miller – Non-executive director
- Perry Gilstrap – Executive director
- Suzie Foreman – Company Secretary is the Secretary of the Committee

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

The Company does not comply with Recommendation 4.2 which sets out the Committee should consists of only non-executive directors as the whole Board only consists of five (5) members (a non-executive chairman, three executive directors and one non-executive director). However, both the non-executive directors are members of the Audit Committee as detailed above and the committee is not comprised of a majority of independent directors. The Board has recognised this departure and recognises the importance of independent judgment, perspective and advice that independent non executives can bring to the Company. The Board is currently in the process of identifying, reviewing and selecting for appointment further independent non-executive directors. An update will be provided to the market once a suitable appointment is made.

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

The Audit Committee is also responsible for establishing policies on risk oversight and management.

4.2 External auditor

The Audit Committee as at the date of this report reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is HLB Mann Judd (WA).

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance. The Board has designated the Company Secretary and the Managing Director as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Shareholder Communication Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- (a) compliance with the continuous disclosure obligations;
- (b) compliance with insider trading laws;
- (c) compliance with financial reporting obligations;
- (d) compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- (e) communication with shareholders in a clear, regular, timely and transparent manner; and
- (f) response to shareholder queries in a prompt and courteous manner.

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK**7.1 Risk Management Policy**

Red Fork Energy recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management and Internal Compliance and Control Strategy which sets out the Company's system of risk oversight, management of material business risks and internal control.

7.2 Risk oversight

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consists of five (5) members, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. At the date of this report the full Board of the Company is responsible for establishing and monitoring of the policies on risk oversight and management.

7.3 Reporting and assurance

The Audit Committee ensures the integrity of the financial statements of the Company and the independence of the external auditor.

As detailed in responsibilities of the Audit Committee, the committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

The Board periodically receives assurance from:

- i) its management (Managing Director, President of US Operations, CFO) as to the effectiveness of the Company's management of its material business risks; and
- ii) the Chief Executive Officer and Company Secretary) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The Risk Management and Internal Compliance and Control Strategy is available on the Red Fork Energy website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**8.1 Remuneration Committee**

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

8.2 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Remuneration Committee consists of two (2) non-executive directors, being Mr Michael Fry and Mr Steve Miller; Mr Kevin Humphrey is the secretary of the Committee. The Chairman of the Remuneration Committee, Mr Michael Fry is the only independent director. The Remuneration Committee was formed on 22 September 2011 and met once during the financial year on 17 October 2011 and each member was present.

The Board has recognised this departure in composition of the committee and recognises the importance of independent judgment, perspective and advice that independent non executives can bring to the Company. The Board is currently in the process of identifying, reviewing and selecting for appointment further independent non-executive directors with a view to increasing the number of independent directors on the committee. An update will be provided to the market once a suitable appointment is made.

8.3 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations for remuneration by gender and making recommendations on any proposed changes and undertaking reviews of the Managing Director's performance, including, setting with the Managing Director goals and reviewing progress in achieving those goals.

8.4 Non-executive directors' remuneration policy

The structure of non-executive directors' remuneration is not currently fully distinguished from that of executives.

Remuneration for non-executive directors is fixed. Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses. Neither the non-executive directors nor executives of the company receive any retirement benefits other than superannuation.

Although the Chairman does not receive equity remuneration benefits, the other Non-Executive Director Mr Steve Miller participated in the Performance Rights Plan (and previously the Employee Share Option Plan) and received a long term incentive in the form of 600,000 Performance Rights in the Company during the year. Non-Executive Directors are also entitled to but not necessarily paid statutory superannuation.

The Performance Rights Plan and Employee Share Option Plan are used by the Company as part of the remuneration planning for both executive and non-executive Directors and employees. The Corporate Governance Guidelines and Recommendations recommend that non-executive directors should not receive options or participate in schemes designed for the remuneration of executives. Although the use of the Performance Rights Plan and formerly the Employee Share Option Plan as part of the remuneration planning for non-executive Directors is not in accordance with Recommendation 8.3, the Company considers that it is appropriate for non-executive Directors to be granted Performance Rights and Options having regard to the Company's circumstances at the time of issue. Due to the cash limitations of the Company as an emerging producer, equity based remuneration has been provided as an incentive to attract high quality directors.

Executive directors' remuneration policy

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

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

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

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 1	Lay solid foundations for management and oversight		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website and Page 24
Rec 1.2	Companies should disclose the process for evaluation the performance of senior executives.	Yes	Website and Page 24
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Page 24
Pr 2	Structure the board to add value		
Rec 2.1	A majority of the board should be independent directors.	No	Website and Page 24
Rec 2.2	The Chairperson should be an independent director.	Yes	Website and Page 24
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website and Page 24
Rec 2.4	The board should establish a nomination committee	No	Website and Page 25
Rec 2.5	Companies should disclose the process of evaluating the performance of the board, its committees and individual directors.	Yes	Website and Page 25
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2	Yes	Website and Page 25
Pr 3	Promote ethical and responsible decision making		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Website and Page 26
Rec 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Yes	Website and Page 26
Rec 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	Website and Page 26
Rec 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	Website and Page 26
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Page 26

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 4	Safeguard integrity in financial reporting		
Rec 4.1	The board should establish an audit committee.	Yes	Website and Page 27
Rec 4.2	The audit committee should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not the chair of the board; and - has at least three members.	No No No Yes	Website and Page 27 Website and Page 27 Website and Page 27 Website and Page 27 Website and Page 27
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Page 27
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website and Page 27
Pr 5	Make timely and balanced disclosure		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Page 27
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Page 27
Pr 6	Respect the rights of shareholders		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Page 28
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Page 28
Pr 7	Recognise and manage risk		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Page 28
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website and Page 28
Rec 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Website and Page 28
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Page 28

Principles	Recommendations	Compliance Yes/No	Reference/ Explanation
Pr 8	Remuneration fairly and responsibly		
Rec 8.1	The board should establish a remuneration committee.	Yes	Website and Page 28
Rec 8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent director - has at least three members	No	Website and Page 29
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	No	Website and Page 29
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Page 29

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

		CONSOLIDATED	
	Note	2012	2011
		US\$	US\$
Revenue	2	4,394,656	3,034,310
Cost of sales	2	(1,743,883)	(1,465,042)
Gross profit		2,650,773	1,569,268
Other revenue	2	941,544	305,534
Consultants fees		(237,307)	(180,112)
Amortisation and depreciation expense	2	(2,995,710)	(1,107,262)
Rehabilitation expense		(17,454)	(19,782)
Compliance and share registry		(670,360)	(539,743)
Administration expenses		(190,140)	(100,440)
Salaries, directors fees and employee benefits	2	(2,919,161)	(2,123,962)
Travel		(579,844)	(484,574)
Foreign exchange loss		(70,451)	(197,854)
Finance costs		(52,494)	(17,324)
Other expenses		(319,041)	(294,145)
Occupancy expenses		(181,997)	(143,898)
Equity based payments	2	(1,611,836)	(384,624)
Loss before income tax expense		(6,253,478)	(3,718,918)
Income tax benefit / (expense)	3	-	-
Net loss for the year	14	(6,253,478)	(3,718,918)
Other comprehensive income			
Exchange differences on translation of foreign operations		(2,971,774)	9,960,225
Foreign exchange loss reclassified to equity		2,819,660	(9,227,966)
Other comprehensive loss for the year net of taxes		(152,114)	732,259
Total comprehensive loss for the year		(6,405,592)	(2,986,659)
Basic loss per share (cents)	19	(2.14)	(2.30)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

		CONSOLIDATED		
	Note	2012	2011	2010
		US\$	US\$	US\$
CURRENT ASSETS				
Cash and cash equivalents	5	20,681,468	26,359,534	6,659,020
Trade and other receivables	6	3,011,461	672,922	471,872
Inventories		338,927	310,540	245,809
TOTAL CURRENT ASSETS		24,031,856	27,342,996	7,376,701
NON-CURRENT ASSETS				
Deferred exploration and evaluation expenditure	8	25,407,535	19,694,305	4,811,900
Production assets	9	45,628,761	24,276,266	21,104,742
Plant, equipment and pipeline	7	12,683,295	7,888,540	7,280,812
Other assets	10	16,741	17,456	14,055
TOTAL NON-CURRENT ASSETS		83,736,332	51,876,567	33,211,509
TOTAL ASSETS		107,768,188	79,219,563	40,588,210
CURRENT LIABILITIES				
Trade and other payables	11	8,107,086	1,348,153	991,147
Other financial liabilities		98,066	29,672	16,485
TOTAL CURRENT LIABILITIES		8,205,152	1,377,825	1,007,632
NON CURRENT LIABILITIES				
Other financial liabilities		100,097	54,676	21,080
Provisions	12	480,615	436,052	412,072
TOTAL NON-CURRENT LIABILITIES		580,712	490,728	433,152
TOTAL LIABILITIES		8,785,864	1,868,553	1,440,784
NET ASSETS		98,982,324	77,351,010	39,147,426
EQUITY				
Issued capital	13	113,913,332	87,488,262	46,682,644
Reserves	15	3,699,068	4,877,965	3,761,081
Accumulated losses	14	(18,630,076)	(15,015,217)	(11,296,299)
TOTAL EQUITY		98,982,324	77,351,010	39,147,426

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Translation Reserve	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2010	46,682,644	(11,296,299)	2,994,107	766,975	39,147,427
Loss for the year	-	(3,718,918)	-	-	(3,718,918)
Exchange difference arising on translation of foreign operation	-	-	-	9,960,225	9,960,225
Foreign exchange gain reclassified to equity	-	-	-	(9,227,966)	(9,227,966)
Total comprehensive loss for the year	-	(3,718,918)	-	732,259	(2,986,659)
Equity settled transactions	-	-	384,624	-	384,624
Shares issued during the year	43,080,126	-	-	-	43,080,126
Capital raising costs	(2,274,508)	-	-	-	(2,274,508)
Balance at 30 June 2011	87,488,262	(15,015,217)	3,378,731	1,499,234	77,351,010
Balance at 1 July 2011	87,488,262	(15,015,217)	3,378,731	1,499,234	77,351,010
Loss for the year	-	(6,253,478)	-	-	(6,253,478)
Exchange difference arising on translation of foreign operation	-	-	-	(2,971,774)	(2,971,774)
Foreign exchange loss reclassified to equity	-	-	-	2,819,660	2,819,660
Total comprehensive loss for the year	-	(6,253,478)	-	(152,114)	(6,405,592)
Shares issued during the year	27,861,565	-	-	-	27,861,565
Capital raising costs	(1,436,495)	-	-	-	(1,436,495)
Transfer of expired and cancelled options	-	2,638,619	(2,638,619)	-	-
Recognition of share based payments	-	-	1,611,836	-	1,611,836
Balance at 30 June 2012	113,913,332	(18,630,076)	2,351,948	1,347,120	98,982,324

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

		CONSOLIDATED	
	Note	2012 US\$	2011 US\$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Receipts from customers		4,195,211	3,132,122
Payments to suppliers and employees		(5,755,997)	(5,084,468)
Interest received		1,015,153	211,915
NET CASH FLOWS USED IN OPERATING ACTIVITIES	16(a)	(545,633)	(1,740,431)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration activities		(4,327,361)	(15,751,744)
Payments for development activities		(20,695,865)	(2,591,891)
Payments for property, plant and equipment		(5,476,910)	(695,090)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(30,500,136)	(19,038,725)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		27,861,566	43,080,126
Transaction costs on issue of shares		(1,436,497)	(2,274,508)
NET CASH FLOWS FROM FINANCING ACTIVITIES		26,425,069	40,805,618
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4,620,700)	20,026,462
Cash and cash equivalents at beginning of the year		26,359,534	6,681,193
Foreign currency translation		(1,057,366)	(348,121)
CASH AND CASH EQUIVALENTS AT END OF YEAR	16(b)	20,681,468	26,359,534

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Red Fork Energy Limited is a listed public company that is incorporated and domiciled in Australia. The entity's principal activities are oil and gas production and exploration.

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

Functional and presentation currency

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

Change in presentation currency

From 1 July 2011, Red Fork Energy Limited changed its presentation currency from A\$ to US\$, so as to provide more reliable and relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance and cash flows. As the principal activities of the Group are conducted through subsidiaries with US\$ functional currencies 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.

The accounting policies detailed below have been consistently applied to all the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Red Fork Energy Limited and its subsidiaries.

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

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

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue on 28 September 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Red Fork Energy Limited as at 30 June 2012 and the results of all the subsidiaries for the year then ended. Red Fork Energy Limited and its subsidiaries are referred to in the financial report as the Consolidated Entity.

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

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

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

When the Group ceases to control, jointly control or exert significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the consolidated entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Income Tax

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

(f) Exploration and Evaluation

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(g) Provision for Restoration and Rehabilitation

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

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

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

(h) Trade and Other Payables

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

(i) Cash and Cash Equivalents

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

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

(j) Goods and Services Tax (GST)

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign Currency

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign operations

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

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

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

(l) Earnings Per Share

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

Diluted EPS is calculated as net earnings attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(m) Segment Reporting

Individual business segments have been identified on the basis of grouping individual assets with similar risks and returns.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and Other Receivables

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

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(o) Issued Capital

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

(p) Operating Leases

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

(q) Revenue

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

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

(i) Interest

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

(ii) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

(r) Employee benefits

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

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

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

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits are recognised against earnings on a net basis in their respective categories.

(s) Borrowing Costs

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Property, Plant & Equipment

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

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

Gas pipeline – over 50 years

Pipeline processing equipment – over 10 years

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

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

(i) Impairment

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

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

(ii) Derecognition and disposal

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

(u) Impairment of Assets

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of Assets (Continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(v) Share-based payment transactions

(i) Equity settled transactions:

The Consolidated Entity provides benefits to employees (including senior executives) of the Consolidated Entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black Scholes option pricing model, further details of which are given in note 26.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Red Fork Energy Limited. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

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

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Share-based payment transactions (Continued)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(w) Production Assets

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

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

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

(x) Significant accounting estimates, assumptions and judgements

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

The more significant areas requiring the use of management estimates and assumptions relate to impairment calculations, production assets and restoration provisions.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Carrying Value of Production Assets

The Consolidated Entity uses the unit-of-production basis when amortising production assets, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of well production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable proven reserves of the producing well. These calculations require the use of estimates and assumptions.

Provision for restoration

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

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Significant accounting estimates, assumptions and judgements (Continued)

Share-based Payments

The Consolidated Entity measures share-based payments at fair value at the grant date using the Black & Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Impairment of assets

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

Exploration and evaluation

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

		CONSOLIDATED	
		Year Ended 30 June 2012 US\$	Year Ended 30 June 2011 US\$
2.	REVENUES AND EXPENSES		
(a)	Revenue		
	<i>Sales revenue</i>		
	Oil sales	2,945,611	1,671,927
	Gas sales	975,452	1,083,049
	Miscellaneous sales	473,593	279,334
		4,394,656	3,034,310
	<i>Other Revenue</i>		
	Interest received	915,808	305,534
	Other income	25,736	-
		941,544	305,534
(b)	Cost of Sales		
	Production costs	1,743,883	1,465,042
(c)	Amortisation of non-current assets and depreciation		
	Amortisation of production assets	2,229,405	643,768
	Amortisation of pipeline assets	445,487	315,655
	Depreciation expense	320,818	147,839
		2,995,710	1,107,262
(d)	Employee benefit expense		
	Salary and wages	2,919,161	2,123,962
	Consultant equity-settled payments	1,611,836	384,624
		4,530,997	2,508,586
3.	INCOME TAX EXPENSE		
	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	-
		-	-
	The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax benefit on loss from ordinary activity before income tax at 30% (2011: 30%)	(1,876,043)	(1,115,675)
	Add tax effect of:		
	Revenue losses not recognised	1,639,441	1,264,938
	Share based payments	492,624	115,387
	Other non-allowable items	107,846	29,518
		363,868	294,168
	Less tax effect of:		
	Other deferred tax balances not recognised	363,868	294,168
	Income tax expense	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

	CONSOLIDATED	
	Year Ended	Year Ended
	30 June 2012	30 June 2011
	US\$	US\$
4. DEFERRED TAX		
The deferred tax recognised at 30 June relates to the following:		
Deferred tax liabilities		
Exploration and evaluation costs	(1,675,060)	(1,253,511)
Other	(5,647)	(32,957)
Deferred tax assets		
Carry forward revenue losses	1,680,707	1,286,468
Net deferred tax	-	-
Unrecognised deferred tax assets		
Carry forward revenue losses	8,470,093	6,379,752
Capital raising costs	1,205,149	1,104,294
Provisions and accruals	9,145	10,518
Other	6,421	1,376
	9,690,808	7,495,940

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

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the Company in utilising the benefits.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

		CONSOLIDATED	
		As at 30 June 2012 US\$	As at 30 June 2011 US\$
5. CASH AND CASH EQUIVALENTS			
Cash at bank – AUD Accounts		10,340,524	24,369,121
Cash at bank – USD Accounts		10,340,944	1,990,413
		20,681,468	26,359,534
Cash at bank earns interest at floating rates based on a daily bank deposit rates and fixed interest is earned on term deposits held for maturity between 1-3 months.			
6. TRADE & OTHER RECEIVABLES			
Current			
Oil sales receivable		2,945,765	649,205
Prepayments		65,696	23,717
		3,011,461	672,921
Terms and conditions relating to the above financial instruments:			
a) Oil sales receivable is non-interest bearing and generally on 60 day terms;			
b) Other debtors are non-interest bearing and generally on 30 day terms			
Ageing of past due but not impaired:			
Current – 30 days		2,236,821	583,078
30 – 60 days		561,191	-
60 – 90 days		81,833	-
Over 90 days		65,920	66,127
Total		2,945,765	649,205
7. PLANT, EQUIPMENT AND PIPELINE			
Plant and equipment			
At cost		2,731,819	1,048,890
Accumulated depreciation		(532,028)	(212,224)
		2,199,791	836,666
Pipeline			
At cost		11,350,645	7,473,526
Accumulated depreciation		(867,141)	(421,652)
		10,483,504	7,051,874
		12,683,295	7,888,540
Plant and equipment			
At 1 July		836,667	825,898
Additions		1,710,715	156,653
Disposals		(26,350)	-
Depreciation charge for the year		(320,818)	(147,838)
Currency translation adjustment		(422)	1,953
		2,199,791	836,666

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

		CONSOLIDATED	
		As at 30 June 2012 US\$	As at 30 June 2011 US\$
7. PLANT, EQUIPMENT AND PIPELINE (CONTINUED)			
Pipeline			
At 1 July	7,051,874	6,454,914	
Additions	3,877,118	1,011,063	
Disposals	-	(66,195)	
Transferred to other assets	-	(32,254)	
Depreciation charge for the year	(445,488)	(315,654)	
	10,483,504	7,051,874	
	12,683,295	7,888,540	
8. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE			
Exploration and evaluation costs carried forward in respect of petroleum exploration areas of interest			
Pre-production			
- Exploration and evaluation phases	25,407,535	19,694,305	
Movement in carrying amounts			
Opening balance	19,694,305	4,811,900	
Expenditure incurred during the year	20,789,811	15,198,564	
Disposals	(92,065)	-	
Transfer to production assets	(14,984,516)	(316,159)	
Closing balance	25,407,535	19,694,305	
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.			
9. PRODUCTION ASSETS			
Production plant and equipment			
At cost	11,788,526	10,687,515	
Additions	1,246,172	1,108,297	
Transfer to exploration and evaluation expenditure	(846,184)	-	
Transfer to other assets	-	(7,286)	
Accumulated depreciation	(869,104)	(591,793)	
Accumulated impairment	(1,294,654)	(1,294,654)	
	10,024,756	9,902,079	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

CONSOLIDATED

	As at 30 June 2012 US\$	As at 30 June 2011 US\$
9. PRODUCTION ASSETS (CONTINUED)		
Production assets		
At cost	15,441,180	12,978,836
Additions	7,351,211	2,146,185
Transfer from exploration and evaluation expenditure	15,830,700	316,159
Accumulated amortisation	(2,514,755)	(562,662)
Accumulated impairment	(504,331)	(504,331)
	<u>35,604,005</u>	<u>14,374,187</u>
 Total production assets	 <u>45,628,761</u>	 <u>24,276,266</u>

Reconciliations

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

2012	Plant and Equipment US\$	Production Assets US\$	Total US\$
Carrying amount at the beginning of the year	9,902,079	14,374,187	24,276,266
Additions	1,246,172	7,351,211	8,597,383
Transfer	(846,184)	15,830,700	14,984,516
Depreciation/ Amortisation	(277,311)	(1,952,093)	(2,229,404)
Carrying amount at the end of the year	<u>10,024,756</u>	<u>35,604,005</u>	<u>45,628,761</u>
 2011			
	Plant and Equipment US\$	Production Assets US\$	Total US\$
Carrying amount at the beginning of the year	9,071,203	12,033,539	21,104,742
Additions	1,108,297	2,146,185	3,254,482
Transfer	(7,286)	316,159	308,873
Depreciation/ Amortisation	(270,135)	(373,635)	(643,770)
Currency translation adjustment	-	251,939	251,939
Carrying amount at the end of the year	<u>9,902,079</u>	<u>14,374,187</u>	<u>24,276,266</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

		CONSOLIDATED	
		As at 30 June 2012 US\$	As at 30 June 2011 US\$
10. OTHER ASSETS			
Non-current			
Security deposit		16,741	17,456
11. TRADE & OTHER PAYABLES			
Current			
Trade creditors (a)		7,914,065	1,173,828
Other creditors and accruals		163,426	122,377
Employee accruals		29,595	51,949
		8,107,086	1,348,153
Aggregate amounts payable to related parties:			
Directors and director-related entities			
- directors		25,779	24,963
Terms and conditions			
(a) Trade creditors are non-interest bearing and are normally settled on 45 day terms.			
12. PROVISIONS			
Non current			
Rehabilitation costs		480,615	436,052
Rehabilitation Costs			
Balance at beginning of year		436,052	412,072
Liabilities incurred		27,109	4,197
Additions		17,454	19,783
Balance at end of year		480,615	436,052
13. ISSUED CAPITAL			
Issued and paid up capital			
310,229,853 (2011: 269,769,853) Ordinary shares		113,913,332	87,488,262

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

CONSOLIDATED

13. ISSUED CAPITAL (CONTINUED)

	As at 30 June 2012 US\$	As at 30 June 2011 US\$
(a) Movements in issued capital		
At the beginning of the year	87,488,262	46,682,644
Shares issued during the period:		
- Placement at \$0.69 each	27,861,565	-
- Placement at \$0.32 each	-	35,435,166
- Option conversion	-	2,298,460
- Converting notes	-	5,346,500
Share issue costs	(1,436,495)	(2,274,508)
At end of the year	113,913,332	87,488,262
(b) Movements in number of shares on issue		
Fully paid	Number	Number
At the beginning of the year	269,769,853	139,535,000
Shares issued during the period:		
- Placement at \$0.69 each	40,460,000	-
- Placement at \$0.32 each	-	104,687,500
- Option conversion	-	7,165,000
- Converting notes	-	18,382,353
At end of the year	310,229,853	269,769,853

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

13. ISSUED CAPITAL (CONTINUED)

Terms and conditions of contributed equity

Ordinary shares

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

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

(c) Options

At the end of the financial year, there are 4,899,166 options over unissued shares as follows:

Type	Date of Expiry	Exercise Price AUD	Number Under Option
Unlisted Options	31 July 2012	\$0.60	295,500
Unlisted Options	30 June 2014	\$0.65	1,600,000
Unlisted Options	30 June 2014	\$0.35	708,333
Unlisted Options	30 June 2014	\$0.45	708,333
Unlisted Options	30 November 2014	\$1.20	1,587,000

9,600,000 director options were cancelled during the financial year ended 30 June 2012.

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

(d) Performance rights

There are 9,600,000 performance rights on issue as at 30 June 2012. The issue of the performance rights was approved by shareholders at the Annual General Meeting held on 30 November 2011.

Terms and conditions of the performance rights as follow:

Type	Date of Expiry	Number Under Performance Rights
Tranche A (i)	30 April 2016	3,600,000
Tranche B (ii)	30 April 2016	3,000,000
Tranche C (iii)	30 April 2016	3,000,000

The above performance rights have the following vesting conditions:

- (i) Receipts from sales must exceed US\$8 million per annum for two consecutive fiscal quarters annualized.
- (ii) Receipts from sales must exceed US\$16 million per annum for two consecutive fiscal quarters annualized.
- (iii) Receipts from sales must exceed US\$30 million per annum for two consecutive fiscal quarters annualized.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

		CONSOLIDATED	
		Year to 30 June 2012 US\$	Year to 30 June 2011 US\$
14.	ACCUMULATED LOSSES		
	Balance at the beginning of the year	(15,015,217)	(11,296,299)
	Net loss for the year	(6,253,478)	(3,718,918)
	Transfer of expired & cancelled options from reserve (refer Note 15(iii))	2,638,619	-
	Balance at end of the year	(18,630,076)	(15,015,217)
15.	RESERVES		
	Reserves		
	Share based payment reserve	2,351,948	3,378,731
	Foreign currency translation reserve	1,347,120	1,499,234
		3,699,068	4,877,965
	(a) Share based payment reserve (i)		
	At beginning of the year	3,378,731	2,994,106
	Performance rights issued during the year	1,561,048	-
	Options issued during the year	-	384,625
	Accelerated vesting on cancelled options	50,788	-
	Transfer of expired & cancelled options to accumulated losses (iii)	(2,638,619)	-
	Balance at end of the year	2,351,948	3,378,731
	(b) Foreign currency translation reserve (ii)		
	At beginning of the year	1,499,234	766,975
	Movement during the year	(152,114)	732,259
	Balance at end of the year	1,347,120	1,499,234
(i)	The share based payment reserve is used to record the value of equity benefits provided to the employees and directors as part of their remuneration.		
(ii)	The foreign currency translation reserve records exchange differences arising on translation of the entities into the presentation currency of the Group.		
(iii)	Options issued to directors were cancelled during the year. The remaining vesting expense of US\$50,788 was recorded through the reserve. The total portion of the reserve relevant to these options (and other options which have expired during the year) have been transferred to accumulated losses in accordance with AASB2.		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

16. CASH FLOW INFORMATION	CONSOLIDATED	
	Year to 30 June 2012 US\$	Year to 30 June 2011 US\$
(a) Reconciliation of net loss after tax to the net cash flows from operations:		
Net loss	(6,253,478)	(3,718,918)
Non cash items		
Amortisation and depreciation expense	2,995,710	1,107,262
Rehabilitation expense	17,454	19,782
Share based payments	1,611,836	384,624
Unrealised foreign losses	70,451	197,854
Changes in assets and liabilities		
Increase in receivables	(99,143)	(265,781)
Increase in payables and accruals	1,066,974	526,310
(Decrease)/Increase in employee accruals and provisions	44,563	8,436
Net cash flows (used in) operating activities	(545,633)	(1,740,431)
(b) Reconciliation of cash:		
Cash balances comprises		
AUD accounts	10,340,524	24,369,121
USD accounts	10,340,944	1,990,413
	20,681,468	26,359,534

17. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Remuneration of Directors and Executives

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

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

Short term employee benefits	2,092,053	1,243,329
Post-employment benefits	15,681	14,973
Share-based payments	1,584,227	61,826
	3,691,961	1,320,128

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Shares Issued on Exercise of Compensation Options

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

(c) Equity Instrument Disclosures Relating to Key Management Personnel

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

(i) Shares held by Key Management Personnel

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

Year ended 30 June 2012

	Balance at 01.07.11	Shares Issued	Options Exercised	Bought & (Sold)	Balance at 30.06.12
Directors					
David Prentice	1,747,441	-	-	-	1,747,441
Michael Fry	1,894,774	-	-	-	1,894,774
Bruce Miller	582,746	-	-	-	582,746
Perry Gilstrap	700,000	-	-	-	700,000
Steve Miller	-	-	-	-	-
Executives					
Kevin Humphrey	-	-	-	-	-
Chris Girouard	-	-	-	60,000	60,000
Suzie Foreman	1,500	-	-	-	1,500
	4,926,461	-	-	60,000	4,986,461

Year ended 30 June 2011

	Balance at 01.07.10	Shares Issued	Options Exercised	Bought & (Sold)	Balance at 30.06.11
Directors					
David Prentice	1,512,750	-	500,000	(265,309)	1,747,441
Michael Fry	1,674,000	-	166,000	54,774	1,894,774
Bruce Miller	382,746	-	500,000	(300,000)	582,746
Perry Gilstrap	501,000	-	499,000	(300,000)	700,000
Steve Miller	-	-	-	-	-
Executives					
Suzie Foreman	1,500	-	-	-	1,500
	4,071,996	-	1,665,000	(810,535)	4,926,461

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(ii) Options Held By Key Management Personnel

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

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

Year ended 30 June 2012

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

Year ended 30 June 2011

	Balance at 01.07.10	Received as Remuneration	Exercise of Options	Bought & (Sold)/ (Cancelled)	Balance at 30.06.11	Total Vested	Total Exercisable
Directors							
David Prentice	3,500,000	-	(500,000)	-	3,000,000	1,800,000	1,800,000
Michael Fry	166,000	-	(166,000)	-	-	-	-
Bruce Miller	3,500,000	-	(500,000)	-	3,000,000	1,800,000	1,800,000
Perry Gilstrap	3,499,000	-	(499,000)	-	3,000,000	1,800,000	1,800,000
Steve Miller	-	600,000	-	-	600,000	-	-
	10,665,000	600,000	(1,665,000)	-	9,600,000	5,400,000	5,400,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity Instrument Disclosures Relating to Key Management Personnel

(iii) Performance Rights Held By key management personnel

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

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

2012	Balance at 01.07.11	Granted as Remuneration (i)	On Conversion of Rights	Bought & (Sold)	Balance at 30.06.12
David Prentice	-	3,000,000	-	-	3,000,000
Michael Fry	-	-	-	-	-
Bruce Miller	-	3,000,000	-	-	3,000,000
Perry Gilstrap	-	3,000,000	-	-	3,000,000
Steve Miller	-	600,000	-	-	600,000
	-	9,600,000	-	-	9,600,000

(i) Issued pursuant to shareholder approval at the Annual General Meeting on 30 November 2011. For full details of the terms and conditions refer Note 17 (e).

There were no Performance Rights in existence in the prior corresponding year.

(d) Options issued as Part of Remuneration for the period ended 30 June 2012

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

(e) Performance Rights issued as Part of Remuneration for the period ended 30 June 2012

At the Company's Annual General Meeting held 30 November 2011, the shareholders approved the issue of 9,600,000 Performance Rights under the Company's Performance Rights Plan (PRP) to the Directors of the Company. Refer 17(d) iii. above for individual quantities granted.

Key Terms of Performance Rights

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

Performance Rights A

On the achievement of receipts from sales exceeding US\$8 million per annum (for two consecutive fiscal quarters annualised) (**Milestone**). The Performance Rights A expire at 5.00 pm (WST) on 30 April 2016 (**Expiry Date**).

Performance Rights B

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

Performance Rights C

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

17. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

In relation to the above Performance Rights Milestones, "receipts from sales" are currently defined as cash receipts in accordance with Red Fork's quarterly cash flow report (Appendix 5B); and for the Performance Rights to validly vest with the holder, the holder is to remain an employee of the Company until three (3) months of the completion of the relevant Milestone being achieved prior to the Expiry Date (as defined above).

(f) Employment Contracts of Key Management Personnel

Mr. Bruce Miller, Mr. Perry Gilstrap, Mr. Kevin Humphrey and Mr. Chris Girouard are permanent employees of the Company, based in the USA. Mr. Humphrey was appointed as Chief Financial Officer on 1 August 2011 and Mr. Girouard was appointed as Senior Vice President (Land) on 1 April 2012.

Pursuant to an agreement executed on 1 July 2012, Mr David Prentice provides services to the Company as the Managing Director. The broad terms of this agreement include remuneration payable \$430,000 per annum inclusive of superannuation.

The agreement may be terminated by either party by providing 1 month written notice and upon payment of any outstanding fees for services rendered.

The Services Agreement continues for a period of 3 years with an option to extend the agreement unless terminated in accordance with the relevant provisions of the Services Agreement.

Loans or Other Transactions

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

18. SEGMENT INFORMATION

Red Fork Energy Limited operates predominantly in one industry being the oil and gas industry in Oklahoma, USA.

Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of its oil and gas assets in Oklahoma, USA and its corporate activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

Types of reportable segments

(a) Oil and Gas

Segment assets, including acquisition cost of oil and gas leases, project production assets and pipeline infrastructure and all operational expenses relating to the assets in Oklahoma, USA are reported on in this segment.

(b) Corporate

Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012

18. SEGMENT INFORMATION (CONTINUED)

Comparative information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2012 and 30 June 2011.

(i) Segment performance

	Corporate US\$	Oil and Gas US\$	Total US\$
30 June 2012			
Segment revenue	941,544	4,394,656	5,336,200
Segment results	(5,898,000)	(355,478)	(6,253,478)
Included within segment result:			
Amortisation and depreciation	(6,914)	(2,988,796)	(2,995,710)
Rehabilitation expense	-	(17,454)	(17,454)
Equity based payments	1,611,836	-	1,611,836
Interest revenue	915,808	-	915,808
Segment assets	19,880,218	87,887,970	107,768,188
Segment liabilities	(213,777)	(8,572,087)	(8,785,864)
Cash flow information			
Net cash flow used in operating activities	(3,013,749)	2,468,116	(545,633)
Net cash flow used in investing activities	(10,559)	(30,489,577)	(30,500,136)
Net cash flow from financing activities	26,425,069	-	26,425,069
30 June 2011			
Segment revenue	305,534	3,034,310	3,339,844
Segment results	(4,166,388)	447,470	(3,718,918)
Included within segment result:			
Amortisation and depreciation	(5,247)	(1,102,015)	(1,107,262)
Rehabilitation expense	-	(19,782)	(19,782)
Interest revenue	305,534	-	305,534
Segment assets	24,960,374	54,259,189	79,219,563
Segment liabilities	(257,946)	(1,610,607)	(1,868,553)
Cash flow information			
Net cash flow used in operating activities	(3,173,760)	1,433,329	(1,740,431)
Net cash flow used in investing activities	(3,661)	(19,035,064)	(19,038,725)
Net cash flow from financing activities	40,805,618	-	40,805,618

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

18. SEGMENT INFORMATION (CONTINUED)

(ii) Revenue by geographical region

There is no revenue attributable to external customers for the years ended 30 June 2012 and 2011.

(iii) Assets by geographical region

Reportable segment assets are located in USA and Australia.

(iv) Major customers

The Group has five customers during the financial year to whom it sells its production. The most significant customer is Sunoco Inc. which accounts for 38% (2011: 61%) of external revenue. The next most significant customer is Shell Trading USA Company which accounts for 33% of external revenue (2011: Seminole Energy Services LLC. 22%).

	As at 30 June 2012 US\$	As at 30 June 2011 US\$
19. LOSS PER SHARE		
The following reflects the income and share data used in the calculation of basic and diluted loss per share:		
Earnings used in calculation of basic and diluted earnings per share	<u>(6,253,478)</u>	<u>(3,718,918)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	(i) <u>291,718,017</u>	<u>161,569,402</u>

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

20. RELATED PARTY DISCLOSURE

Ultimate Parent

Red Fork Energy Limited is the ultimate Australian parent Company.

Other Related Party Transactions

During the financial year ended 30 June 2012, Gas Lamp Consulting which is controlled by Jeff Gilstrap (Perry Gilstrap's son), provided information technology consulting services to the US subsidiaries and received fees totalled US\$80,700.

Steve Miller has an interest in Orion and Mid America Field Services, which receive fees totalled US\$443,676 from the US subsidiaries for engineering and drilling supervision services on normal commercial terms.

Other than those stated above and note 17, there are no other related party transactions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

21. INTEREST IN SUBSIDIARIES

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

Name	Country of Incorporation	Percentage of equity interest held by Consolidated Entity		Investment	
		2012 %	2011 %	2012 US\$	2011 US\$
Red Fork (USA) Investments, Inc.	USA	100%	100%	1,000	1,000
EastOK Pipeline LLC	USA	100%	100%	-	-

22. AUDITOR'S REMUNERATION

Amounts received or due and receivable by :

	CONSOLIDATED	
	Year to 30 June 2012 US\$	Year to 30 June 2011 US\$
- HLB Mann Judd- an audit of the financial report of the Company at the financial year end and half year review	50,825	39,897
- Hogan Taylor LLP- audit of subsidiary financial report and half year review	50,000	80,000
- Grant Thornton- half year review of subsidiary	19,642	-
	<u>120,467</u>	<u>119,897</u>

23. FINANCIAL INSTRUMENTS

(a) Financial risk management and risk policies

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

(b) Interest rate risk

The Company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal.

The Company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the interest rate sensitivity analysis section of this note.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012

23. FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Sensitivity Analysis

At 30 June 2012, if interest rates had been 2% higher or lower than the prevailing rates realised, with all other variables held constant, the effect on loss and equity as a result of changes in the interest rates would be as follows:

	2012 US\$ Net Change	2011 US\$ Net Change
CHANGE IN LOSS		
Increase in interest rate by 2%:		
AUD accounts	206,810	487,382
USD accounts	206,819	39,808
	413,629	527,191
Decrease in interest rate by 2%:		
AUD accounts	(206,810)	(487,382)
USD accounts	-	-
	(206,810)	(487,382)
CHANGE IN EQUITY		
Increase in interest rate by 2%:		
AUD accounts	206,810	487,382
USD accounts	206,819	39,808
	413,629	527,191
Decrease in interest rate by 2%:		
AUD accounts	(206,810)	(487,382)
USD accounts	-	-
	(206,810)	(487,382)

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

(c) Net fair values of financial assets and liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term maturity.

Receivables and payables: The carrying amount approximates fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

23. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk exposure

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

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

The Group assesses credit risk and allowance for doubtful accounts on a customer specific basis. The Group's policy is to not grant long-term credit to customers and to deal only with customers well-known in the oil and gas industry and with sufficient financial capability to meet its obligations. At June 30, 2012, all of the Group's production was sold to five customers. Each of these customers is an oil or gas major, well-known in the industry and to management and management believes each customer to have sufficient financial capability. As of 30 June 2012 and 2011, the Group does not have an allowance for doubtful debt accounts.

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

Concentration of Credit Risk

Two customers accounted for more than 50% of the Group's oil and gas sales for the year ended 30 June 2012 and 2011, as well as more than 50% of the trade receivables as of 30 June 2012 and 2011. Loss of one customer would severely impact the Company's operations.

(e) Liquidity risk management

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

	Less than 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Total \$
30 June 2012					
FINANCIAL LIABILITIES					
Non-Interest bearing	-	(8,077,491)	-	-	(8,077,491)
	-	(8,077,491)	-	-	(8,077,491)
30 June 2011					
FINANCIAL LIABILITIES					
Non-Interest bearing	-	(1,296,204)	-	-	(1,296,204)
	-	(1,296,204)	-	-	(1,296,204)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

23. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign exchange risk management

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

(g) Foreign currency risk sensitivity analysis

At 30 June 2012, the effect on loss and equity as a result of 10% change in the value of the Australian Dollar to the US Dollar, with all other variable remaining constant would be as follows:

	2012 US\$	2011 US\$
CHANGE IN LOSS	Net Change	Net Change
Improvement in AUD by 10%	1,034,052	2,436,912
Decline in AUD by 10%	(1,034,052)	(2,436,912)

CHANGE IN EQUITY	Net Change	Net Change
Improvement in AUD by 10%	1,034,052	2,436,912
Decline in AUD by 10%	(1,034,052)	(2,436,912)

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

(h) Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being oil and gas exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

24. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

25. EMPLOYEE BENEFITS

At 30 June 2012, Red Fork Energy had 23 employees (2011: 16).

Employee Incentive Option Plan

The Company has an Employee Incentive Scheme previously approved at the general meeting.

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

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

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

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

11,632,500 options have been issued under this scheme to date. Details of shares and options issued to Directors are included in the Remuneration Report.

Performance Rights Plan

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

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

Performance Rights are valued at the prevailing share price at the time the performance rights are granted discounted with the probability of specified production targets and reserve criteria being achieved.

A total of 9,600,000 performance rights were issued to the directors during the financial year. Details are disclosed in the Remuneration Report.

The total value of the performance rights issued is A\$2,232,000 and will be allocated across the vesting period (2012: A\$1,566,058). The fair value of the performance rights granted was estimated as at the date of grant using the market value at that date, the probability of the relevant market conditions being met and the expected length of the vesting period. Refer Remuneration Report Section D.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

26. SHARE BASED PAYMENT PLANS

Options are issued to directors and executives as part of their remuneration under the Company's Employee Incentive Option Plan as described in Note 17. The options are not issued based on performance criteria, but are issued to all directors of Red Fork Energy Limited and its subsidiary to increase goal congruence between executives, directors and shareholders.

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

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

- (i) The options outstanding at 30 June 2012 had a weighted average exercise price of A\$0.76.
- (ii) Options outstanding at 30 June 2012 had a weighted average remaining life of 1.003 years.
- (iii) Included under employee benefits expense in the statement of comprehensive income is US\$1,611,836 (2011: US\$384,624), and relates, in full, to equity-settled share-based payment transactions, of which US\$50,788 was related to options.
- (iv) 9,600,000 options issued to the directors in prior years were cancelled in December 2011.

2011	CONSOLIDATED	
	Number of Options	Weighted Average Exercise Price AUD
Outstanding at beginning of the year	21,064,166	\$0.59
Granted during the year:		
- Employees	600,000	\$0.04
- Consultants	-	-
Exercised during the year	(7,165,000)	\$0.15
Cancelled during the year	-	-
Outstanding at the end of the year	14,499,166	\$0.71
Exercisable at the end of the year	12,312,166	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

27. PARENT ENTITY DISCLOSURES

Financial position

	30 June 2012 US\$	30 June 2011 US\$
Assets		
Current assets	19,851,296	24,933,960
Non-current assets	79,313,396	52,872,482
Total assets	99,164,692	77,806,442
Liabilities		
Current liabilities	213,777	257,946
Non-current liabilities	-	-
Total liabilities	213,777	257,946
Equity		
Issued capital	113,913,332	87,488,262
Accumulated losses	(21,552,890)	(14,817,731)
Reserves		
Foreign currency translation	4,238,525	1,499,233
Share-based payments	2,351,948	3,378,731
Total equity	98,950,915	77,548,495

Financial performance

	Year ended 30 June 2012 US\$	Year ended 30 June 2011 US\$
Loss for the year	(6,735,159)	(2,113,624)
Other comprehensive income	(152,114)	732,259
Total comprehensive income	(6,887,273)	(1,381,365)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2012**

28. SUBSEQUENT EVENTS

On 10 August 2012 the Company announced it had entered into an agreement with Euroz Securities Limited to act as Underwriter and Lead Manager to a placement and E.L. & C. Baillieu Stockbroking as broker to the issue, to raise A\$50 million (before costs of issue) via an underwritten placement of approximately 74.63 million new ordinary shares at an issue price of \$0.67 per share to qualified institutional and sophisticated investors.

The placement was approved by shareholders at an Extraordinary General Meeting held on Thursday, 13 September 2012, and the securities were issued on 17th September 2012.

The additional funding will allow the Company to continue and accelerate its aggressive operated Mississippian project drilling program, maintain on-going leasing within the Mississippian play and provide additional working capital.

The Directors are not aware of any other matter or circumstances that has arisen since 30 June 2012 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.

29. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED	
	30 June 2012 US\$	30 June 2011 US\$
The Company leases office facilities under a long-term lease agreement:		
Within one year	164,872	80,940
After one year but not more than five years	639,519	102,295
More than five years	-	-
	804,391	183,235

Subsequent to the balance date, the Group entered into contractual commitments for the short-term operating lease of two drilling rigs with Unit Drilling. The total commitment amounts to US\$5,563,200 and is all due within one year.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Red Fork Energy Limited (the 'Company'):
 - a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year then ended; and
 - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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



Mr David Prentice
Executive Director

28th September 2012



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Red Fork Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Red Fork Energy Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

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

Auditor's responsibility

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

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

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

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

Independence

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

HLB Mann Judd (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>
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.



Accountants | Business and Financial Advisers

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Red Fork Energy Limited for the financial year ended 30 June 2012 published in the annual report and 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 auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

Auditor's opinion

In our opinion:

- (a) the financial report of Red Fork Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Red Fork Energy Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner

Perth, Western Australia
28 September 2012

ADDITIONAL SHAREHOLDER INFORMATION

A. CORPORATE GOVERNANCE

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

B. SHAREHOLDING

1. Substantial Shareholders

The names of the substantial shareholders listed on the Company's register as at 19 September 2012:

Name	Number of shares
NATIONAL NOM LTD	57,916,921
JP MORGAN NOM AUST LTD	55,473,502
HSBC CUSTODY NOM AUST LTD	24,827,055
CITICORP NOM PL	22,163,440
PROSPECT CUST LTD	21,028,334
GHIRARDELLO LOUIS	19,729,233

2. Unquoted Securities

Class of Equity Security		Number	Number of Security Holders
30 June 2014 option -	\$0.65	1,600,000	3
30 June 2014 option -	\$0.35	708,333	3
30 June 2014 option -	\$0.45	708,333	3
30 November 2014 option -	\$1.20	1,262,000	8
Performance Rights A		3,600,000	7
Performance Rights B		3,000,000	6
Performance Rights C		3,000,000	6

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

Class of Equity Security	Number	Holder
30 June 2014 option - \$0.35	187,500	Michael Hynes
30 June 2014 option - \$0.35	333,333	EAS Advisors LLC
30 June 2014 option - \$0.35	187,500	Prals Pty Ltd
30 June 2014 option - \$0.45	187,500	Prals Pty Ltd
30 June 2014 option - \$0.45	187,500	Michael Hynes
30 June 2014 option - \$0.45	333,333	EAS Advisors LLC
30 June 2014 option - \$0.65	480,000	Sabah & Sapi Pty Ltd
30 June 2014 option - \$0.65	880,000	PJS Marketing Pty Ltd
30 November 2014 option - \$1.20	275,000	Wayne Gilstrap
Performance Rights A	1,000,000	Perry Gilstrap
Performance Rights A	1,000,000	David Prentice
Performance Rights A	1,000,000	Bruce Miller and related party
Performance Rights B	1,000,000	Perry Gilstrap
Performance Rights B	1,000,000	David Prentice
Performance Rights B	1,000,000	Bruce Miller and related party

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

2. Unquoted Securities (Continued)

Performance Rights B	1,000,000	Perry Gilstrap
Performance Rights B	1,000,000	David Prentice
Performance Rights B	1,000,000	Bruce Miller and related party

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

There are 1,973 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

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

4. Distribution schedule of the number of holders in each class of equity security as at 19 September 2012.

By Class	Holders of Ordinary Shares	No. Of Ordinary Shares	%
1-1,000	243	77,990	0.02%
1,001 - 5,000	353	1,099,872	0.29%
5,001 – 10,000	316	2,670,931	0.69%
10,001 - 100,000	822	31,066,855	8.07%
100,001 and over	239	350,036,071	90.93%
TOTALS	1973	384,951,719	100.00%

5. Marketable Parcel

There are 181 shareholders with less than a marketable parcel.

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

The names of the twenty largest holders of quoted equity security, the number of equity security each holds and the percentage of capital each holds (as at 19 September 2012) is as follows:

Ordinary Shares

Name	No. Of Ordinary Shares	%
NATIONAL NOM LTD	57,916,921	15.05%
JP MORGAN NOM AUST LTD	55,473,502	14.41%
HSBC CUSTODY NOM AUST LTD	24,827,055	6.45%
CITICORP NOM PL	22,163,440	5.76%
PROSPECT CUST LTD	21,028,334	5.46%
GHIRARDELLO LOUIS	19,729,233	5.13%
RBC INVESTOR SVCS AUST NO	18,378,340	4.77%
HEALY ROBERT ANTHONY	14,272,785	3.71%
BNP PARIBAS NOMS PL	11,779,627	3.06%
UBS NOM PL	6,986,588	1.81%
LQ SUPER PL	6,699,999	1.74%
BRISPOT NOM PL	6,182,445	1.61%
ZERO NOM PL	4,660,000	1.21%
PITT STREET ABSOLUTE RETURN FUND	2,450,000	0.64%
MARIE SCODELLA & ASSOC PL	2,429,244	0.63%
ESCOR INV PL	2,400,000	0.62%
MICHAEL FRY	1,894,774	0.49%
BOND STREET CUSTS LTD	1,828,891	0.48%
ATHAS INV PL	1,800,000	0.47%
PRENTICE DAVID	1,747,441	0.45%
TOTAL	284,648,619	73.94%

ADDITIONAL SHAREHOLDER INFORMATION (Continued)**C. OTHER DETAILS****1. Company Secretary**

The name of the Company secretary is Suzie Foreman.

2. Address and telephone details of the entity's registered and administrative office

The address and telephone details of the registered and administrative office:

Level 2,
79 Hay Street
Subiaco Western Australia 6008

Telephone: + (61) 8 9200 4470
Facsimile: + (61) 8 9200 4475

3. Address and telephone details of the office at which a register of securities is kept

The address and telephone number of the office at which a registry of securities is kept:

Security Transfer Registrars
770 Canning Highway
Applecross Western Australia 6153
Telephone: + (61) 8 9315 2333
Facsimile: + (61) 8 9315 2233

4. Securities exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Securities Exchange and its American Depositary Receipts are quoted on the OTCQX International.

5. Restricted Securities

The Company has no restricted securities at the current date.

6. Review of Operations

A review of operations is contained in the Directors' Report.

LEASE SCHEDULE

Lease Location	Acres	Working Interest	Average Net Revenue Interest
Craig County, Oklahoma	5,166	25%	20.87%
Grant County, Oklahoma	5,069	100%	81.25%
Kay County, Oklahoma	4,676	100%	80.61%
Mayes County, Oklahoma	21,293	100%	82.76%
Noble County, Oklahoma	18,450	100%	81.30%
Pawnee County, Oklahoma	12,983	100%	82.27%
Payne County, Oklahoma	27,222	100%	83.08%
Tulsa County, Oklahoma	1,626	100%	82.17%
Wagoner County, Oklahoma	13,013	100%	80.00%