

16 June 2010

Manager of Company Announcements  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2001

*By E-Lodgement*

## **Red Emperor Resources NL Pursues Puntland Farmin**

Red Emperor Resources NL (ASX: RMP) is pleased to announce that the Company has entered into a heads of agreement with Africa Oil Corp to acquire an interest in onshore petroleum projects in the Dharoor Valley and the Nugaal Valley of Puntland, Somalia ("Puntland Farmin").

Pursuant to the transaction, the Company will acquire a 10% interest in the Puntland Farmin with an option to increase its interest by a further 10% to 20%. The Puntland Farmin is conditional on the parties finalising a formal farmin agreement and the satisfaction of certain conditions precedent including due diligence, ministerial approval and shareholder approval (if necessary).

The leases covered by the farmin areas cover a region over 58,000km<sup>2</sup> and have been independently assessed to contain the following prospective resources:

Oil in Place (gross)	18.29 billion barrels of oil
Recoverable (gross)	4.55 billion barrels of oil
Net Red Emperor share (10%) recoverable	455 million barrels of oil
Net Red Emperor share (20%) recoverable	910 million barrels of oil

*Note: the above prospective resource estimates were prepared by an independent advisor on behalf of Africa Oil Corp in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. The effective date of the report is 1 December 2009.*

The opportunity is viewed by the Board as a very exciting high impact opportunity which allows the Company a relatively low-cost entry into an extremely prospective oil province. It is viewed as a complementary opportunity to the existing projects currently being pursued by the Company including the Jillewarra Copper Gold Project and the Russian Potash Project. The Company recently announced the commencement of a geochemistry and drilling program to test the gossan and the margins of the ultramafic unit at the Jillewarra Copper Gold Project.

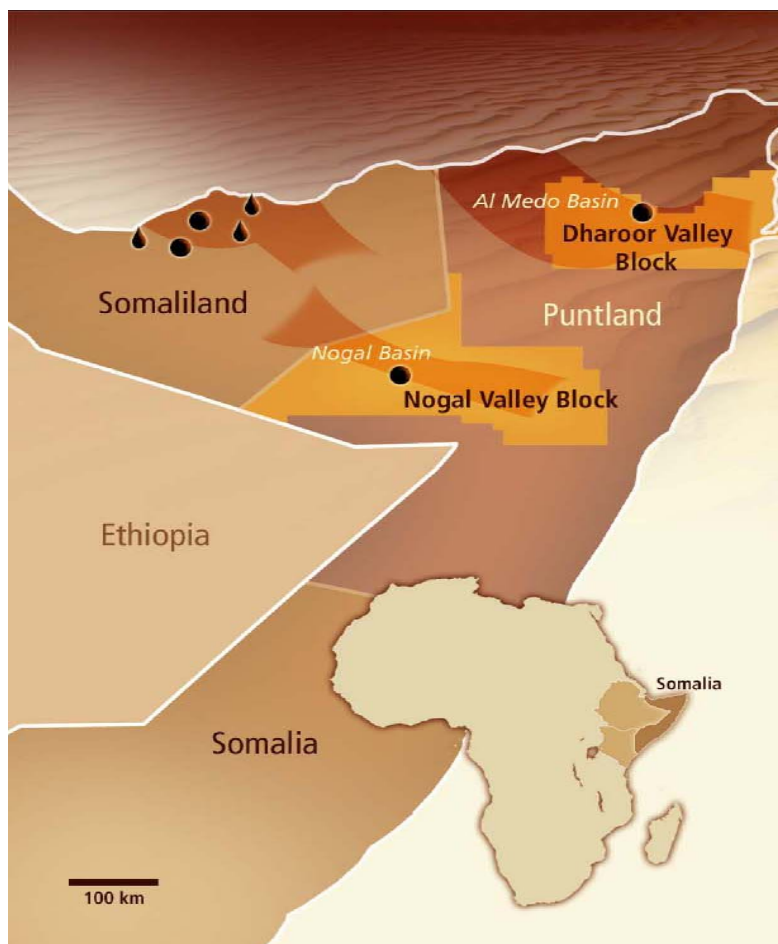
## Dharoor and Nugaal Valleys

In 2006 the Puntland Government granted Range Resources Limited (ASX: RRS) certain mineral and hydrocarbon rights which included the highly prospective Nugaal and Dharoor exploration blocks. In 2007 Range brought in partner Africa Oil Corp (TSXV: AOI) to finance and help to develop the Nugaal and Dharoor oil prospects. Africa Oil operates the licences covered by the production sharing agreements in respect of the two blocks.

Over the past two and a half years the joint venture has spent approximately US\$35 million, including costs related to seismic acquisition and interpretive works designed to identify the most prospective drill targets in both the Nugaal and Dharoor exploration blocks. These targets have now been identified and Africa Oil is looking to mobilise a rig in anticipation of drilling the first exploration well in Somalia in 16 years by the end of this year or early the first quarter of 2011.

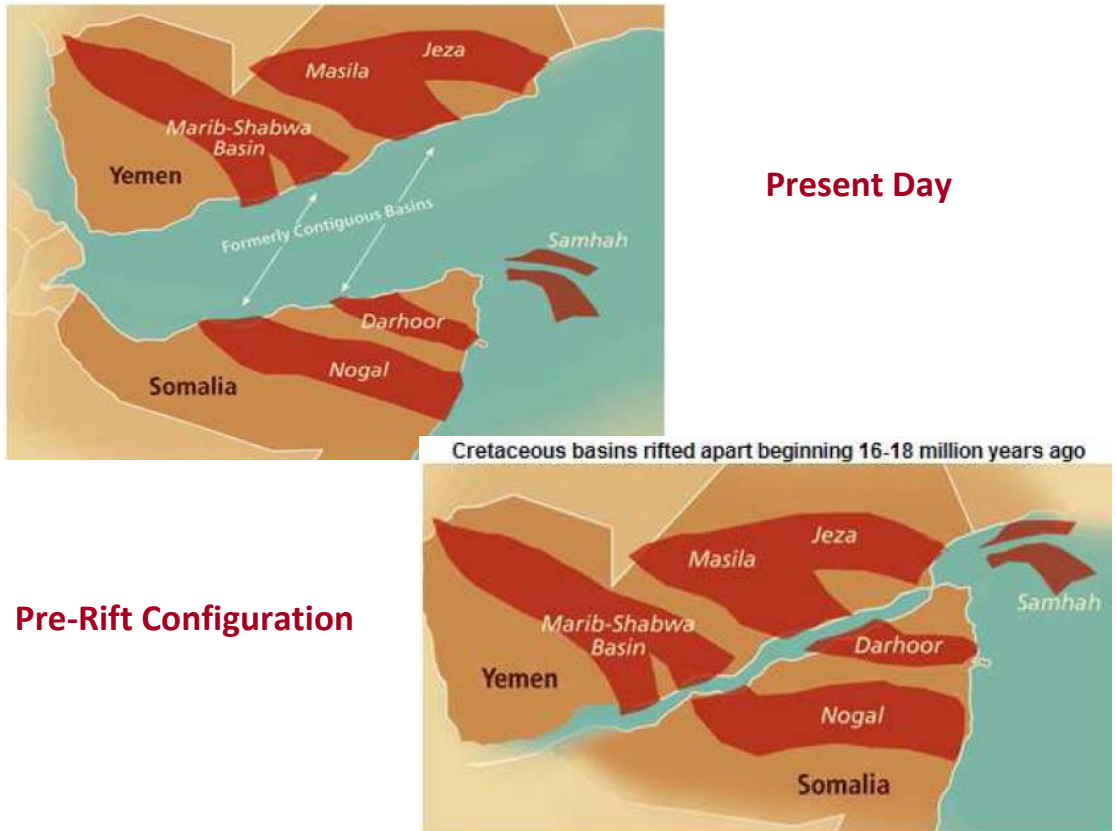
## Puntland

Somalia is situated in the most northeastern part of Africa; know as ‘the Horn of Africa’. The Democratic State of Puntland is located in the northeastern sector of Somalia and covers approximately 212,000km<sup>2</sup>.



Somalia, and in particular Puntland, remain one of the last under-explored countries that have high potential for vast reserves of hydrocarbons. During the late 1980's the State was divided into a number of concessions for oil exploration. Significant exploration was undertaken but this effectively ceased due to political instability that arose in 1991.

The rationale concerning prospectivity in Puntland is based on the proposition that the Cretaceous and Jurassic age Nugaal and Dharoor basins in Puntland are extensions of the prolific producing Marib-Shawba and Sayun-Masila Basins in Yemen. It is believed these basins were contiguous before the Gulf of Aden opened and therefore the prospects and plays are likely similar to those in Yemen.



The legal structure of Puntland consists of the Judiciary, Legislative (House of Representatives) and the Executive (the President and his nominated council of Ministries) branches of government. They have had two peaceful elections in the past 5 years with the current President, Abdirahman Mohamud Farole (a former PhD candidate in the history department at La Trobe University in Melbourne) fully supportive of the development of the natural assets believed to exist in abundance both on and off the shores of Puntland.

**Africa Oil**

Africa Oil Corp. is a Canadian oil and gas exploration company with interests in exploration licenses in Kenya, Ethiopia and Somalia. The Company's shares are listed on the TSX Venture Exchange under the symbol "AOI".

Africa Oil is a member of the Lundin Group of Companies which is comprised of individual, publicly-traded natural resource companies that are managed by the Lundin Family. The companies are involved in a variety of

commodities and operate in over thirty countries worldwide. Some examples of successful Lundin transactions in the past include the acquisition of Tanganyika Oil by Sinopec International Petroleum Exploration and Production and Lundin Oil which was acquired by Talisman Energy.

### The Transaction

Red Emperor (“**Farmee**”) has entered into a Heads of Agreement with Africa Oil Corp and its 100% owned subsidiary Canmex Holdings (Bermuda) II Ltd (“**Farmor**”) to earn a 10% participating interest in each of the Dharoor Project and the Nugaal Project (“**Transaction**”). The Farmor has a 65% interest in each of the projects. The Farmee will first earn a 10% interest in the Dharoor Project by paying 20% of all costs related to the drilling of one exploration well on the Dharoor Project. The payment of 20% of related drilling costs will apply for the initial US\$25 million of gross costs only and thereafter the Farmee shall only pay 10% of all related drilling costs.

The Farmee may, at its own discretion, exercise a right to increase its participating interest in the Dharoor Project by advising the Farmor in writing on or before 31 August 2010. The Farmee will then earn a 20% participating interest in the Dharoor Project by paying 30% of all costs related to the drilling of one exploration well on the Dharoor Project, plus a payment to Africa Oil of US\$1 million for the reimbursement of prior expenditure. This payment is due on the spudding of the first exploration well in the Dharoor Project. The payment of 30% of related drilling costs will apply for the initial US\$25 million of gross costs only and thereafter the Farmee shall only pay 20% of all related drilling costs.

Joint Venture Parties	Joint Venture Participating Interest Held Following Transaction	
	RMP 10%	RMP 20%
Red Emperor Resources NL	10%	20%
Africa Oil Corp	55%	45%
Range Resources Limited	20%	20%
Lion Energy Corp	15%	15%

The Farmee has an option to earn a participating interest in the Nugaal Project. If the Farmee elects not to participate in the drilling of one exploration well in the Nugaal Project, or, in the event the Farmor elects instead to drill a second exploration well in the Dharoor Valley, if the Farmee elects not to participate in the drilling of such second Dharoor Valley exploration well, it will forfeit any earned participating interest in the Dharoor Project.

The Farmee will first earn a 10% interest in the Nugaal Project by paying 20% of all costs related to the drilling of one exploration well on the Nugaal Project. The payment of 20% of related drilling costs will apply for the initial US\$25 million of gross costs only and thereafter the Farmee shall only pay 10% of all related drilling costs.

The Farmee may, at its own discretion, exercise a right to increase its participating interest in the Nugaal Project by advising the Farmor in writing on or before 31 August 2010. The Farmee will then earn a 20% participating interest in the Nugaal Project by paying 30% of all costs related to the drilling of one exploration well on the Nugaal Project. The payment of 30% of related drilling costs will apply for the initial US\$25 million of gross costs only and thereafter the Farmee shall only pay 20% of all related drilling costs.

Completion will be subject to the following conditions precedent:

- (a) completion by the Farmee, to the reasonable satisfaction of its directors, of all necessary due diligence investigations in respect of the Dharoor Project and the Nugaal Project by 1 July 2010 (or such later date as agreed by the parties);
- (b) the passing of such resolutions as may be necessary to give effect to the Transaction at a meeting of the Farmee's shareholders convened in accordance with the Corporations Act and the Listing Rules by 26 July 2010 (or such later date as agreed by the parties);
- (c) the execution of the Farmout Agreement by the parties by 26 July 2010 (or such later date as agreed by the parties);
- (d) prior or contemporaneous with the execution of the Farmout Agreement (or as otherwise agreed), the Farmee raising no less than A\$2.8 million;
- (e) the Farmee depositing US\$2 million into an Escrow Account as security for the Farmee's payment obligations by 30 July 2010 (or such later date as agreed by the parties);
- (f) the Farmor procuring any necessary third party consents to the transfer of the Assigned Interests to the Farmee as a result of the Transaction from the other participants in the Dharoor Project and the Nugaal Project (if required) by 30 September 2010;
- (g) receipt of all necessary ministerial consent, government and regulatory approvals, in respect of the transfer of the Assigned Interests by 31 August 2010 (or such later date as agreed by the parties); and
- (h) receipt of all applicable waivers of any applicable pre-emption or similar rights that have been obtained or have lapsed in respect of the transfer of the Assigned Interests by 30 June 2010 (or such later date as agreed by the parties).

#### **Placement**

The Company intends to raise up to \$2.8 million in a placement of ordinary shares at an issue price of \$0.09 per share, subject to shareholder approval. The Company has appointed Max Capital Pty Ltd as lead manager to assist the Company raise these funds.

The funds raised from the capital raising will be used to:

- (a) meet exploration commitments on the Jillewarra Copper Gold Project;
- (b) pursue existing opportunities in Russia; and
- (c) undertake due diligence investigations on the Puntland Farmin.

#### **Corporate Advisory Mandate**

Red Emperor has entered into a corporate advisory mandate with Max Capital Pty Ltd ("Mandate") to provide introduction, facilitation and financing services. Under the mandate Max Capital will undertake to raise the Company \$2.8 million in a placement (subject to shareholder approval) as outlined above.

Furthermore, Max Capital has undertaken to introduce and assist in the facilitation of projects and opportunities to drive growth in shareholder value. The above transaction relating to the Puntland Oil & Gas opportunity has been introduced to the Company by Max Capital.

Under the Mandate, the following corporate advisory fees will be payable to Max Capital (or its nominee, as directed):

- (a) 4.5 million fully paid ordinary shares in the capital of the Company immediately, to be issued under the Company's existing 15% capacity pursuant to ASX Listing Rule 7.1;
- (b) 6 million fully paid ordinary shares in the capital of the Company on completion of the capital raising outlined above;
- (c) 5.5 million fully paid ordinary shares in the capital of the Company and a cash payment of \$150,000 on the Company executing formal agreements in respect of a Transaction introduced by Max Capital;
- (d) a milestone payment of 20 million fully paid ordinary shares in the capital of the Company on the project introduced achieving a commercial milestone as agreed between Max Capital and the Company.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Kent Hunter', with a long horizontal flourish extending to the right.

**Kent Hunter**  
Managing Director