

10<sup>th</sup> January, 2010

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

*By E-Lodgement*

## **Red Emperor to acquire 20% interest in two key Georgian oil & gas blocks**

### **Highlights:**

- **Heads of Agreement signed with Range Resources Limited (ASX: RRS; AIM: RRL) and Strait Oil & Gas (UK) Limited to acquire a 20% farm-in interest in two oil and gas blocks in Georgia.**
- **The two blocks cover 7,000km<sup>2</sup> (approx 10% of the acreage of the country) and were subject to significant exploration during the Soviet era.**
- **410km of 2D seismic completed in March 2010 with recently completed data processing and interpretation confirming 68 individual drillable multi-stacked structures.**
- **Independent best estimate of gross, unrisksed oil-in-place across these identified prospects of 2.05 billion barrels (410m barrels attributable to Red Emperor).**
- **Six (6) ready to drill targets identified with gross unrisksed oil-in-place of 728m barrels.**
- **First well to be drilled in Q1 2011.**
- **Red Emperor intends to offer Range Resource's ASX and AIM shareholders an opportunity to participate in future capital raising.**

Red Emperor Resources NL (ASX: RMP) is pleased to announce that it has entered into Heads of Agreement with Range Resources Limited (ASX: RRS; AIM: RRL) (Range) and Strait Oil & Gas UK Limited (Strait) to acquire a 20% interest in two oil and gas blocks in the Republic of Georgia, Eastern Europe.

The two blocks subject to this agreement, Blocks VIa and VIb, cover a contiguous area of 7,000km<sup>2</sup> (approx 10% of the surface area of the country) and were subject to significant exploration in the Soviet era. Refer to Figure 1 for outline of block locations.

## Blocks VIa and VIb Background

A significant number of wells were drilled in Georgia during the Soviet era (mainly in the 1980's and 1990's) in and adjacent to blocks VIa and VIb. A review of all available data in 2008/2009 by Strait and recognised international oil and gas consultants RPS Group (RPS) found that very few of the 200 wells were drilled with the specific objective of finding oil and gas reservoirs. Certain wells were drilled to relatively shallow depths, to further define structural features identified from surface geological mapping, and to assist in planning the location and design of water reservoirs. Deeper wells were drilled for the purpose of detailed identification of the stratigraphy of the area. Many of these wells found oil and gas shows, in which case they were shut in and abandoned without testing.

## Recent 2D Seismic Programme and Subsequent Results

In March 2010 Range and Strait completed 410km of 2D seismic across the two blocks in satisfaction of Phase II of the Production Sharing Contract (PSC). The initial results from the draft report of seismic interpretation, field mapping and evaluation completed by RPS were released by Range to the ASX on the 18<sup>th</sup> November 2010. RPS identified a total of 68 structural culminations across the two blocks each of which potentially contains stacked reservoirs. Total combined best estimate of gross unrisked oil-in-place across these 68 identified structural culminations amounts to 2,045 million barrels.

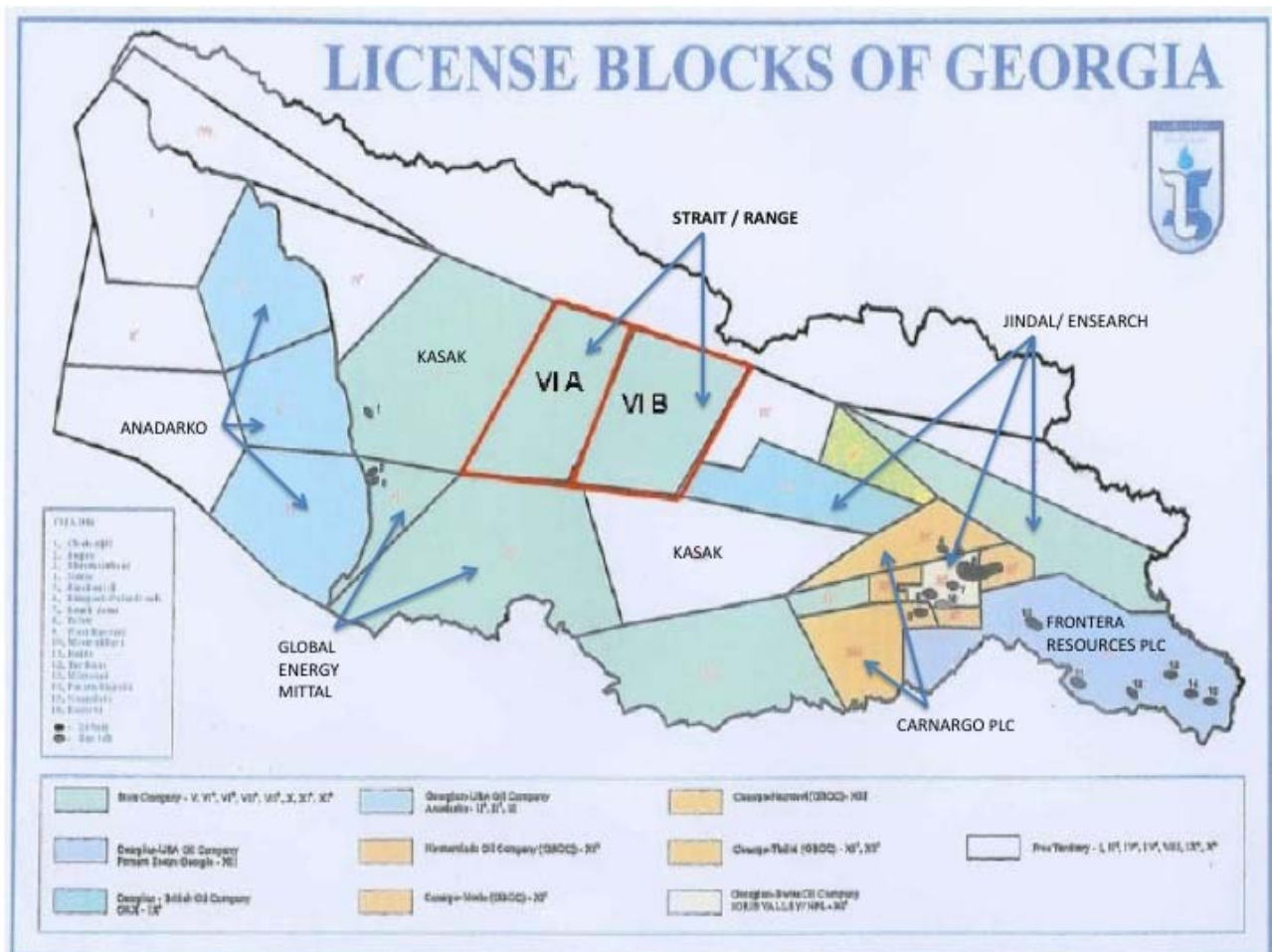


FIGURE 1

Of the 68 identified prospective targets across the two blocks, 6 structures have been prioritized as being ready for drilling. Of these 6 structures, total gross unrisksed oil-in-place has been estimated at 728 million barrels.

### **Drilling schedule and costs**

Range and Strait conducted an open tender for drilling in August 2010. Consequently, First Drill (Aberdeen) has been engaged as the drilling contractor for both commitment wells and is currently sourcing a suitable rig. Mobilisation is expected to commence late January / early February 2011 with the first exploration well to spud in Q1 2011. The well is likely to target structures at a depth of 2,500-3,000m and take 40-60 days to complete. As such, results should be known before the end of April 2011. The PSC contains a two well commitment, with the second well to be drilled soon after the results of the first although its location is yet to be confirmed.

Under the terms of the agreement, Red Emperor (to earn its 20% interest) will pay 40% of the costs of the first two wells with estimates that the first well will cost \$6-7m on a dry hole basis. However, it is expected that subsequent wells are likely to cost approximately \$5-6m given that the logistical infrastructure will already be in place and a number of mobilisation costs will have already been expensed. Red Emperor's obligation to pay 40% of the costs of the first two wells is capped at US\$5.6m with any further costs paid in proportion to their holding. Following successful completion of the first two wells, Red Emperor will revert back to contributing their equity share of 20% of all costs on any future wells drilled and the subsequent development of any wells.

### **Heads of Agreement**

Red Emperor has entered into a Heads of Agreement with Range and Strait with the following conditions precedent:

- (a) Completion by Red Emperor, to the reasonable satisfaction of its directors, of all necessary due diligence investigations in respect of Strait and the Georgian Blocks by 31 January 2011 (or such later date as agreed by the parties);
- (b) Execution of the Share Subscription Agreement by the parties by 28 February 2011 (or such later date as agreed by the parties);
- (c) Strait procuring any necessary third party consents to the issue of Shares to Red Emperor as a result of the Transaction from the other participants in the Georgian Blocks PSCs (if required) by 15 February 2011;
- (d) Receipt of all necessary ministerial consent, government and regulatory approvals, in respect of the issue of Shares by 15 February 2011 (or such later date as agreed by the parties).

## Range Shareholders

As part of discussions with Range management, it is Red Emperor's intention to offer Range's ASX and AIM shareholders the opportunity to participate in a future capital raising aimed at funding drilling costs associated with this two well drilling program. Details of any offer to Range shareholders will be communicated closer to the time of the capital raising.

For and on behalf of the Board

**Greg Bandy**  
**Executive Director**

### Disclaimer

*RPS Group is an International Petroleum Consulting Firm with offices worldwide, who specialise in the evaluation of resources, and have consented to the information with regards to the Company's Georgian interests in the form and context that they appear. These estimates were formulated in accordance with the guidelines of the Society of Petroleum Engineers ("SPE").*