

25 June 2018

RED EMPEROR TO ACQUIRE INTEREST IN LARGE OIL PROSPECT IN PROLIFIC ALASKA NORTH SLOPE

Issued Capital: 425M	ASX Code: RMP	Closing price: A\$0.023
	AIM Code: RMP	Closing Price: £0.0092

The Board of Red Emperor Resources NL (“Red Emperor” or the “Company”) is pleased to provide the following announcement with respect to an exciting new farm-in acquisition and upcoming drill program.

HIGHLIGHTS

- Red Emperor to acquire and drill a significantly large oil prospect on the prolific Alaska North Slope
- The drill target is immediately adjacent to and a direct analogue of the Horseshoe-1/1A oil well drilled by the Repsol-led joint venture in 2017
- Horseshoe is part of the billion-barrel plus Nanushuk oil play-fairway, one of the largest conventional oil fields discovered in the US in more than 30 years¹
- Red Emperor has formed a consortium with well-funded and experienced JV partners to execute a drill program in early 2019
- RMP’s working interest will be 31.5% in the prospect leases with the Company fully funded to meet its share of all work commitments associated with the acquisition

Red Emperor has executed a binding term sheet agreement that will see the Company participate in the drilling of a highly prospective Nanushuk oil trend exploration well on the Alaska North Slope in early 2019. Final definitive agreements are expected to be executed within 30 days with Red Emperor, along with its Consortium Partners, having exclusivity over the opportunity.

Commercial Agreement

Red Emperor, along with Otto Energy Limited (**ASX: OEL**) (“Otto”) and 88 Energy Limited (**ASX: 88E**) (“88 Energy”) (collectively the “Consortium Partners”), have executed a binding term sheet agreement with Great Bear Petroleum Ventures II LLC (“Great Bear”) to acquire the majority of Great Bear’s working interest in four leases on the western flank of the Alaska North Slope, specifically ADL#s 391718, 391719, 319720 & 39172; collectively the “Western Blocks”.

In consideration for acquiring the leases, the consortium partners will undertake the following:

- Provide a performance bond to the State of Alaska of US\$3.0 million (RMP share US\$1.05m) by 31 July 2018; and
- Drill an exploration well in the Western Blocks by 31 May 2019.

¹ Oil Search Limited announcement 1 November, 2017

BOARD & MANAGEMENT

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The Consortium Partners will provide the following consideration to Great Bear:

- Free carry Great Bear for a 10% working interest in the leases for the drilling, completion and production testing of an initial test well, including all associated costs such as permitting, ice road access and test production disposition;
- Pay US\$500,000 (RMP share US\$175,000) upon execution of the definitive agreements;
- Pay US\$500,000 (RMP share US\$175,000) upon receipt of final permits necessary to drill the initial test well, in any case by no later than 31 December 2018; and
- Provide an option for Great Bear to acquire a further 10% working interest prior to the initial test well by paying its pro-rata share of all costs of the initial test well or, if exercised within 6 months of completing the initial test well, by paying 200% of its pro-rata share of all costs of the initial test well.

The relevant interests in the Western Blocks under the commercial agreements (subject to regulatory approval by the State of Alaska) are as follows:

	Current Working Interest	Post-transaction			
		Working Interest (before back-in)	Paying Interest (before back-in)	Net Revenue Interest* (before back-in)	Working Interest*** (after back-in)
Red Emperor	-	31.5%	35%	26.25%	28%
88 Energy (Drilling Manager)	-	36.0%	40%	30.00%	32%
Otto Energy	10.8%	22.5%	25%	18.75%	20%
Great Bear Petroleum**	89.2%	10.0%	-	8.33%	20%
Alaskan State	-	-	-	16.67%	
	100%	100.0%	100%	100%	100%

* Government royalty of 16.67%

** Currently Operator of record on leases

*** "After back-in" interests reflect position if Great Bear exercise option to acquire further 10% working interest

Red Emperor's Managing Director, Greg Bandy, commented: *"We are delighted to have been able to negotiate such an exciting new acquisition alongside quality consortium partners 88 Energy and Otto Energy. We would also like to thank Otto's technical team for their hard work in generating the prospect and working with us to get this deal done. The impending drill program represents a significant opportunity for Red Emperor to gain exposure to one of the most prospective oil provinces in the world."*

Gracjan Lambert, Red Emperor's CEO, commented: *"I am extremely pleased to have joined the Company as CEO on the back of such exciting news. I look forward to our continued success building on the acquisition of this high-quality asset."*

The Company would also like to thank all shareholders for their patience and loyalty over the past 2 years and looks forward to repaying them with a new age of activity and management.



Nanushuk Topset Oil Trend

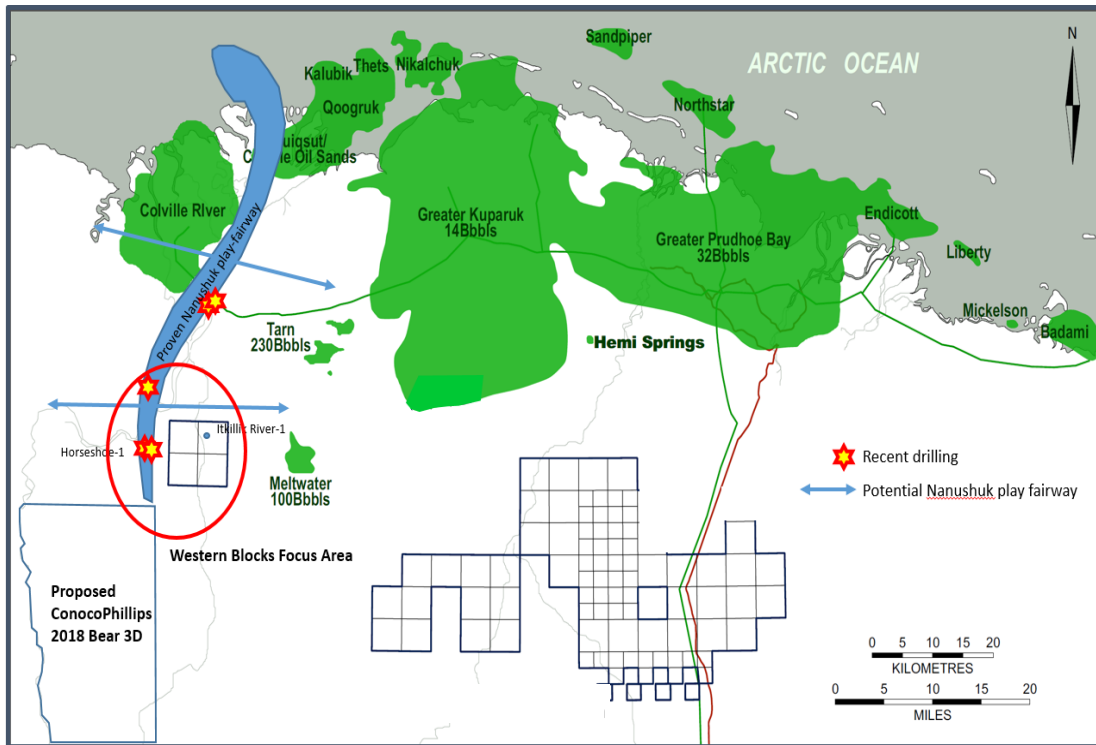


Figure 1: Alaska North Slope (Source Otto Energy)

Great Bear holds a working interest in four leases totalling over 22,710 acres located in the heart of the prolific Nanushuk oil fairway. The Horseshoe-1 well, which discovered oil in 2017, is located less than one mile to the west of these leases. Horseshoe extended the Nanushuk play fairway, which has been drilled since 2013, by well over 20 miles to the south of previous drilling.

The Horseshoe-1 discovery has signalled the presence of an extensive previously overlooked hydrocarbon province which is in now attracting major development capital, including the recent acquisition by Oil Search Limited (ASX: OSH or "Oil Search") of operatorship of the Pikka Unit and a number of oil exploration assets on the Alaska North Slope.

The Horseshoe-1 discovery well was drilled by the Repsol-led joint venture in 2017 to a total depth of 6,000 ft. (1,828 meters) and encountered more than 150 ft. of net oil pay in several reservoir zones in the Nanushuk section. The deviated Horseshoe-1A side-track was drilled to a total depth of 8,215 ft. and encountered more than 100 ft. of net oil pay in the Nanushuk interval as well.

Western Blocks Prospect

Recent in-house technical work conducted by Otto on its Alaskan acreage in the Western Blocks has resulted in the identification of an oil prospect with a gross best estimate prospective resource volume of 400 MMbbls and a geological chance of success in the range of 25-30%. RMP's 31.5% working interest (before Great Bear 10% back in) would be 126 MMbbl net to RMP. The prospective resource calculation was based on a consideration of offset well information and seismic expression.

Cautionary Statement: The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



The prospect was identified on modern 3D seismic data obtained by Otto Energy through the Alaska Department of Natural Resources, Division of Oil and Gas is illustrated below in the context of the four graticular leases that comprise the Western Blocks being acquired. Otto believe the prospect shares many of the positive attributes seen at the Horseshoe-1 discovery which found light oil reservoir in more than 150ft of net oil sand of the Nanushuk delta sequence at just over 5000ft below the surface.

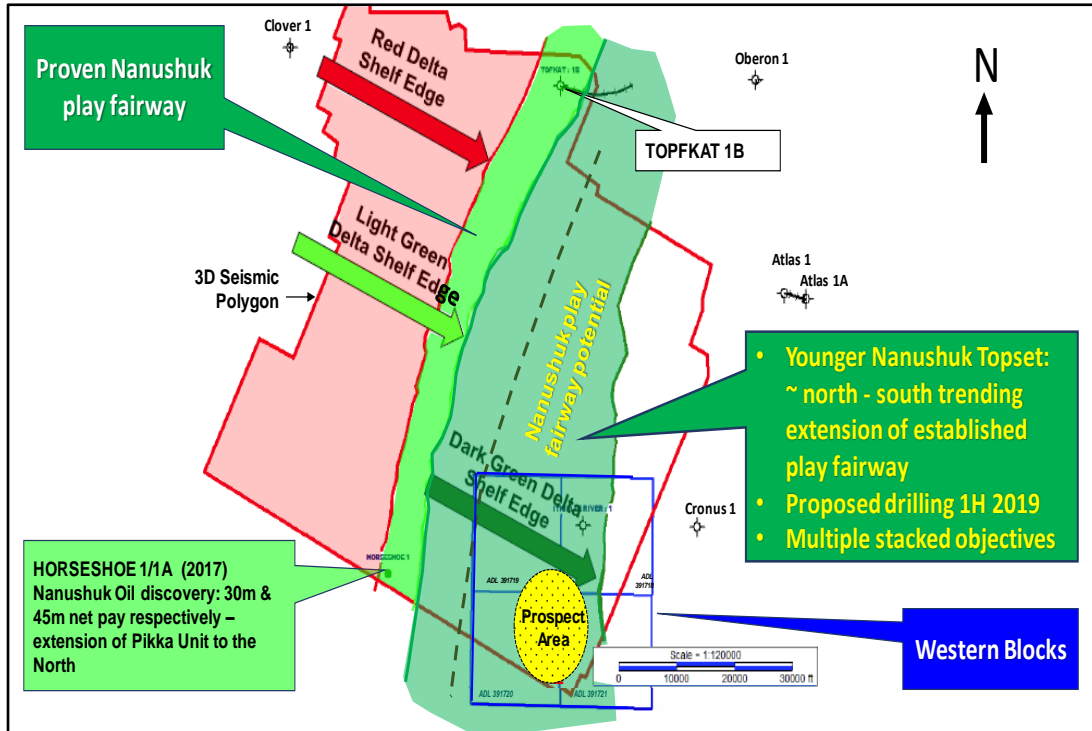


Figure 2: Nanushuk Play Extension (Source: Modified from Otto Energy)

The discovery at Horseshoe has extended the known accumulation of Nanushuk oil some 20 miles south of earlier discoveries such as those at Qugruk 8 and Qugruk 301 which flowed 30-degree gravity crude at rates as much as 2,160 and 4,600 bbls/d respectively¹.

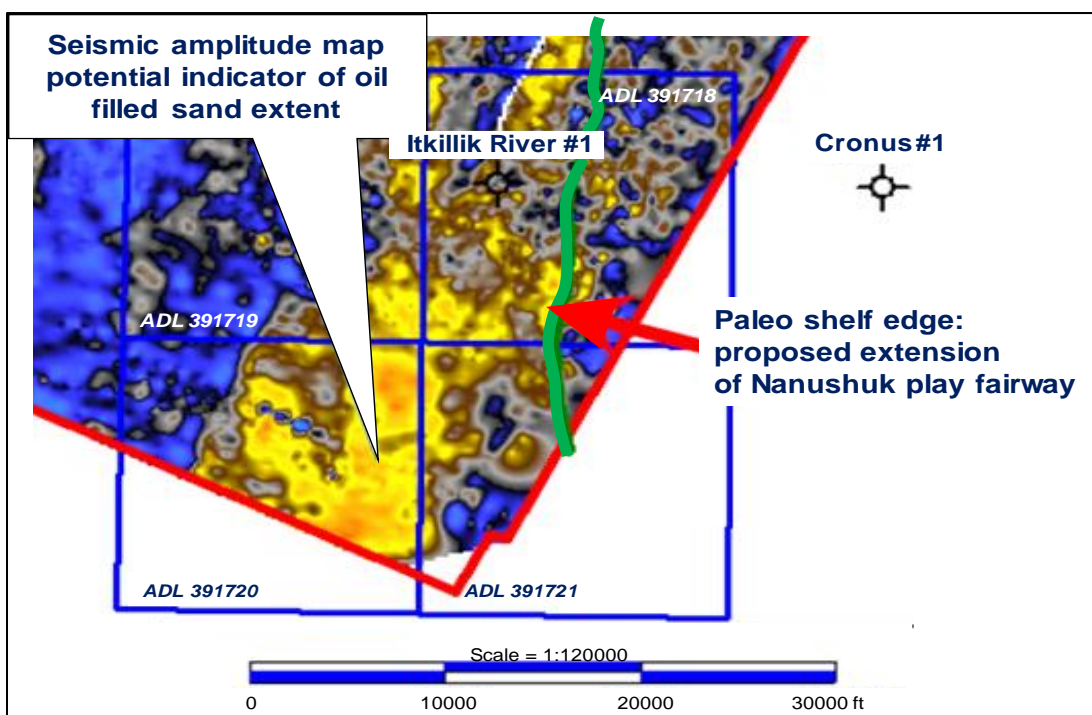


Figure 3: Seismic Amplitude Map (Source: Modified from Otto Energy)



Exploration success in the Nanushuk play-fairway is now being driven by the understanding that when reservoir quality top set sands are present anomalously high amplitudes are seen on seismic data.

This type of positive amplitude response has also been seen on seismic over the Western Blocks as illustrated above. Otto presently calculates a gross best estimate prospective resource volume of 400 MMbbls in the prospect area mainly on the basis of this amplitude work.

Some of the block area to the south is not covered by 3D data and as yet uncalculated upside potential is likely to exist in this area as well.

Further encouragement that the prospect will be found oil bearing is provided by the presence of oil shows seen in the adjacent Itkillik River-1 well drilled in 1978. Here oil was observed during drilling at multiple levels within fine grained sediments.

If 3D data had been available at the time Itkillik River-1 had been drilled, the well would likely have been moved further south to intersect a better reservoir quality and more continuous sand interval. This higher quality sand interval is the key target for the proposed consortium well.

Offtake Options

With the Oil Search operated Pikka unit development activities occurring to the west and the Conoco-Phillips Meltwater unit facility some 10 miles to the east, any oil found within the Western Blocks will find a cost effective, commercially attractive route to market. Project economics will be further enhanced by the shallow nature of the oil pool.

Drilling Planning

88 Energy will manage the drilling of the initial test well within the Western Blocks on behalf of the joint venture and Consortium Partners. 88 Energy has already commenced a rig market survey and is identifying a suitable rig with which to commence the drilling operations. Given that the location is only accessible through an ice road, drilling will be undertaken during the winter operational months once the Alaska North Slope is opened for operations.

The joint venture has met with the Alaska Department of Natural Resources to expedite required approvals and permits to undertake the initial test well.

Lease Terms

The four North Slope leases comprising the Western Blocks have recently been extended by three years with the term now expiring on 30 April 2021. During this period the joint venture is required to post a US\$3.0 million performance bond and undertake the drilling and testing of an initial test well by no later than 31 May 2019. The leases have an annual rental of US\$10.00 per acre or fraction thereof and have been fully paid through to May 2019.

Funding

The well is estimated to cost approximately US\$15 million (100% dry hole cost) of which Red Emperor's share will be US\$5.25 million. There is also a performance bond of US\$3 million (RMP share US\$1.05m) to be posted to the Alaska DNR by 31 July 2018. The bond will be refunded if the well is drilled before 31 May 2019.

Red Emperor expects to fund cost of the bond and drilling of the well from its current, strong cash position. Red Emperor's working interest will most likely be held through a soon-to-be-incorporated, wholly owned subsidiary.

For and on behalf of the Board

Greg Bandy
Managing Director



Competent Persons Statement

The information in this report that relates to oil and gas resources in Alaska was compiled by technical employees of Otto Energy Limited, a Consortium Partner, and subsequently reviewed by Mr Gracjan Lambert BSc (First Class Honours) (Geophysics), PhD (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Gracjan Lambert is employee of RMP (LR 5.42(b)) and member of the Society of Exploration Geophysicists (SEG) and the Association of International Petroleum Negotiators (AIPN) (LR5.42(c))

Prospective Resources Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Prospective Resources Reporting Notes (Western Blocks prospect reported for the first time)

(i) The prospective resources information in this document is effective as at 30 April 2018 (Listing Rule (LR) 5.25.1). (ii) The prospective resources information in this document has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2). (iii) The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties (LR 5.25.5). (iv) The prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6). (v) The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7). (vi) The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5.) (vii) Prospective resources are reported on a best estimate basis (LR 5.28.1). (viii) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2). (ix) In respect to the prospective resources referred to in this statement, Red Emperor's working interest in the four leases (ADL#s 391718, 391719, 319720 and 391721), totalling 22,711 acres all of which are located on the North Slope, Alaska, USA (LR 5.35.1) will be 31.5% (as set out in the table on page 2) upon completion of the transaction detailed in this ASX release. (x) The prospective resources have been estimated on the following basis (LR 5.35.2): the best estimate prospective resource calculation was based on a consideration of offset well information and seismic expression; a combination of volumetric assessment and field analogues have been used to estimate the prospective resources; exploration drilling will be required to assess these resources. (xi) The chance of discovery is considered moderate as the prospective resources are near developed and undeveloped reserves and in a proven oil and gas producing province. There is a risk that exploration will not result in sufficient volumes of oil and/or gas for a commercial development (LR 5.35.3). (xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).

ⁱ Repsol announcement, 2 June 2015 <https://www.repsol.com/en/press-room/press-releases/2015/06/02/repsol-completes-successful-testing-at-two-oil-wells-in-alaska.cshtml>