

5 August 2011

Manager of Company Announcements
ASX Limited
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By E-Lodgement

Puntland Drilling Update

Highlights:

- **Puntland Government and Africa Oil agree to adjust specific milestone target dates**
- **Contracts for a drilling rig and third party services are in advanced stages of negotiations with contract execution scheduled for early August.**
- **Drilling of two wells to commence in Q4, 2011**
- **New Company established by Africa Oil after successful \$41m capital raising**

Red Emperor Resources NL (ASX/AIM: RMP) is pleased to announce that its joint venture partner and Puntland PSA operator, Africa Oil Corp (TSXV: AOI) is currently in final preparations to commence a two well drilling campaign in the Dharoor Valley Block, with the first well planned to spud in the fourth quarter of 2011. Drilling locations have been selected over two robust prospects each targeting gross best estimate oil in place of circa 900 million barrels. Contracts for a drilling rig and third party services are in advanced stages of negotiations with contract execution scheduled for early August.

The Puntland Government and Dharoor Valley communities are fully supportive of the drilling project and have ensured they will do all to allow the project to move forward safely and expeditiously.

Specific milestone target dates have been adjusted by the Puntland Government allowing the joint venture to move the drilling start-up to the fourth quarter of 2011. In addition, partial relinquishments in both the Dharoor Valley and Nugaal Valley agreements have been finalized and approved.

As previously announced, Africa Oil has entered into a letter of intent for the creation of a new Puntland focused oil exploration company to be named Horn Petroleum Corp. ("Horn Petroleum"). Horn Petroleum will be created as a result of the sale of Africa Oil's subsidiaries that hold its oil and gas properties in Puntland, Somalia.

On 2 August 2011 Horn Petroleum completed a US\$41 million capital raising, with assistance from Africa Oil. These proceeds will be used to fund Horn Petroleum's share of costs associated with the drilling of two exploratory wells in the Dharoor Valley Block. Africa Oil subscribed for US\$10 million of the private placement and will have an approximately 50% interest in Horn Petroleum when the transaction completes. It will also provide certain management and technical services under a service contract.

BOARD & MANAGEMENT

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The Puntland Government has also given its approval for the formation of Horn Petroleum and the impending transaction with Africa Oil.

Red Emperor's Executive Director Greg Bandy commented, "We are delighted that JV partner and Puntland operator, Africa Oil Corp., along with the Puntland Government have settled on mutually agreeable terms that will finally see a well(s) drilled in Puntland, Somalia this year. Both Africa Oil, Range Resources Limited and Red Emperor should be commended on the many months of negotiations, logistical management and due process that have resulted in us arriving at this point. We look forward to advising the market in the coming week(s) as critical service contracts are executed and mobilization begins. This is truly an exciting time for the oil and gas industry."

For and on behalf of the Board

Greg Bandy
Executive Director

Background

Red Emperor Resources NL (ASX/AIM: RMP) is a natural resources exploration company with interests in the frontier state of Puntland, Somalia, the Republic of Georgia and Western Australia.

- In Puntland, Red Emperor holds a 20% working interest in two licences encompassing the highly prospective Dharoor and Nugaal valleys. These two exploration areas cover over 36,000km² and have independently been assessed to potentially contain a combined 19 billion barrels of oil in-place. Red Emperor's joint venture partner and PSA operator Africa Oil Corp. (TSXV: AOI) has signed a letter of intent with a drilling subcontractor and expects the first well to be drilled in Dharoor in Q4, 2011.
- In the Republic of Georgia, Red Emperor has a 20% working interest in onshore blocks VIa and VIb, covering approx. 6,500km². Joint Venture partner Range Resources Limited (ASX: RRS | AIM: RRL) last year funded a 410km 2D seismic program with independent consultants RPS Energy identifying 68 potential structures containing an estimated 2.045 billion barrels of oil-in-place (on a mean 100% basis). Two wells are to be drilled this year as part of the proposed drill program.
- The Company also has a 25% interest in the Jillewarra Project, a copper and gold project in Western Australia. This interest is free carried through until bankable feasibility study.