

17 January 2010

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

By E-Lodgement

Puntland Government Extends PSA's and Formally Approves Red Emperor's 20% Farm-in Interest

- **The Puntland Government has agreed to extend the Production Sharing Agreements ("PSAs") for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area**
- **Under the amended PSAs, the First Exploration Agreement has been extended for 12 months to 17 January 2012**
- **Africa Oil is obligated to spud the first exploratory well in the Dharoor Valley Exploration Area by 27 July 2011**
- **Red Emperor's 20% interest in each of the PSAs has been formally approved by the Government**

Red Emperor Resources NL (ASX: RMP) advises that Africa Oil, together with Range Resources Limited and Lion Energy Corp., its joint venture partners, has entered into amending agreements with the Government of Puntland, represented by the Puntland Petroleum and Mineral Agency, in respect of the production sharing agreements ("PSAs") for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area. Under the PSAs, as amended, the First Exploration Agreement has been extended for a further 12 months, from 17 January 2011 to 17 January 2012. .

Under the amended PSAs Africa Oil is obligated to spud a minimum of one exploratory well in the Dharoor Valley Exploration Area by 27 July 2011. A second exploratory well is required to be spudded in the Nugaal Valley Exploration Area or, at the option of Africa Oil, in the Dharoor Valley Exploration Area, by 27 September 2011. Red Emperor has an option but not obligation to participate in the second well.

In addition, Red Emperor's farm-in agreement with Africa Oil to earn a 20% interest in each of the PSAs, previously announced on 12 August 2010, has been formally approved by the Government of Puntland. The farm-in agreement will see Red Emperor pay 30% of drill costs for the first two exploratory wells to earn its 20% interest in each of the two blocks, Dharoor and Nugaal.

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These two blocks cover over 58,000km² 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 (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 joint venture partners on the two PSA's are now:

Red Emperor Resources	20%
Africa Oil Corp. (Operator)	45%
Range Resources Limited	20%
Lion Energy Corp.	15%

Keith Hill, President and CEO of Africa Oil commented on these developments as follows: "We look forward to the upcoming wells in the rift basins of Puntland which we believe could hold similar potential to the geologically related basins in Yemen which contain more than 6 billion barrels of discovered reserves. We appreciate the cooperation and efforts from the government in granting this extension and are in advanced negotiations with a drilling contractor to meet these obligations. We also would like to welcome our new partner Red Emperor to the joint venture."

For and on behalf of the Board



Greg Bandy
Executive Director

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