

9 May 2012

Manager of Company Announcements
ASX Limited
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By E-Lodgement

Georgia Update

Red Emperor Resources NL (ASX | AIM : RMP) is pleased to announce that following a strategic review of the current operations in Georgia, that the Company, along with its partners, Strait Oil & Gas and Range Resources (ASX: RRS / AIM: RRL), is to embark on a revised development strategy for Blocks VIa and VIb.

Coal Bed Methane Development

The revised development strategy will focus on low-cost, shallow appraisal drilling of the contingent resources around the Tkibuli-Shaori ("Tkibuli") coal deposit, which straddles the central sections of the Project's two blocks.

Tkibuli has been estimated by Advanced Resources International to contain recoverable gas resources of at least 0.4 trillion cubic feet of coal-bed methane ("CBM"). Sand horizons have also been identified around the coal beds, which could add additional, conventional hydrocarbon resources to those estimated for CBM at Tkibuli alone.

By prioritising exploration around the productive coal seams, the joint venture has the opportunity to make early discoveries, add proven reserves and look to provide revenue potential from the Tkibuli CBM play within 18 months from commencement of development, in conjunction with satisfying its PSA commitments.

Georgia Industrial Group Partnership

Red Emperor and its partners have executed a conditional agreement with the Georgian Industrial Group ("GIG") regarding the joint development of the project and providing a commercial offtake for 100% of the gas produced.

The Georgian Industrial Group was established in 2006 and has invested tens of millions (USD) in the local economy and continues to support prospective businesses. GIG operate the 200MW gas-fired power station located at Gardabani as well as importing 25% of gas currently used in Georgia. The power station currently does not use any gas produced locally in Georgia.

GIG is the largest holding company within the country and embraces a number of subsidiary companies operating in the energy sector, acquiring and processing of natural resources, production of building materials, logistics service and real estate development.

The GIG subsidiaries are concentrated on effective acquiring and processing of the country's resources, which in turn, fosters long-term development and success of the Georgian industry.

BOARD & MANAGEMENT

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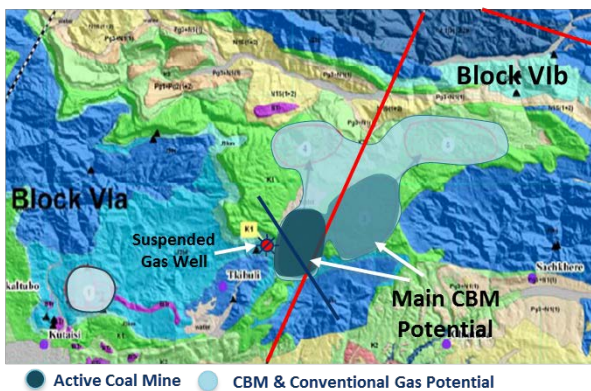


The joint venture will, with its technical partners NTD Energy Limited, utilise the latest in exploration and development technology to focus on shallower plays where the geology is relatively well understood. This strategy will not only greatly reduce the drilling cost, but also significantly reduce the project's geological risk. Over 400 exploration and non-hydrocarbon wells have been drilled in the Tkibuli area, many encountering hydrocarbons and one producing gas for over 35 years. An initial pilot project will focus on appraising targets already venting methane and so ensuring a very high chance of success.

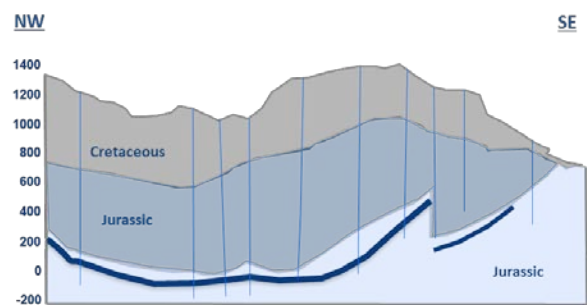
New wells will target horizons at depths between 500 and 2,000 metres and can be drilled within 45 days. Deviated drilling will maximise intersection of the coal seams and could allow the use of a single pad for multiple wells, further reducing preparation and mobilisation costs. The joint venture estimates that the pilot programme could commence with a 3 well programme in the fourth quarter of 2012 following initial appraisal programs. The fast-track program is designed for gas production and sales could begin within 18 months given the proximity of in place infrastructure and logistics.

CBM has become an increasingly important source of energy around the world and production is well established in the US, Australia and China. Access to market is key to commercialisation and, although major pipelines transect the country, Georgia remains almost entirely dependent on imports of foreign natural gas. CBM production from Tkibuli, therefore, could immediately be fed into the local energy market.

CBM & CMM Potential⁴



Section through Tkibuli Coal Deposits



Source: ³ Strait UNFCCC (2009)

⁴ Strait Oil & Gas (SOG) Georgia Technical Team

Red Emperor's Managing Director, Greg Bandy stated, "Red Emperor is fully supportive of the Joint Venture's strategic review of operations in Georgia and believes this revised strategy is the best and most efficient way of unlocking the undeniable value that exists across both blocks. With a strong focus on deploying shareholder funds in a manner that adds value we feel this program, from a cost/benefit perspective, is the best way of doing so."

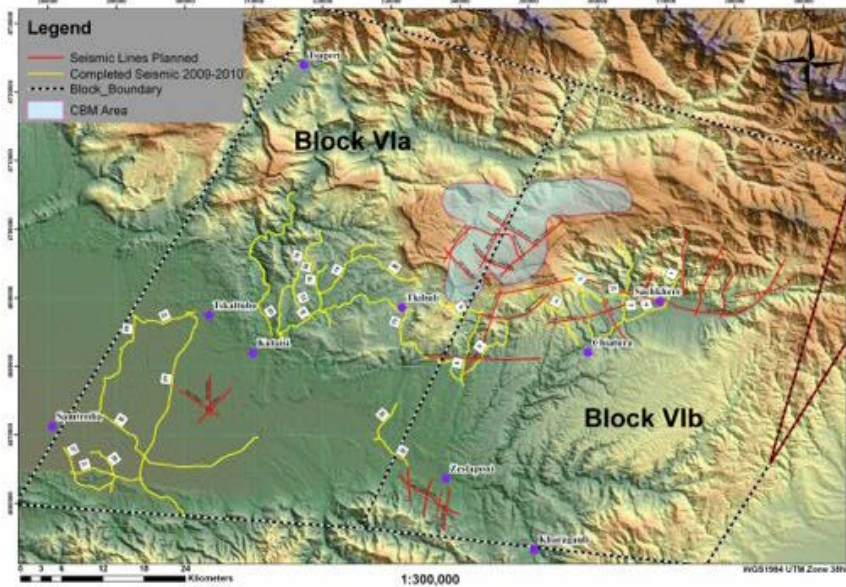
Red Emperor is to be carried for its share of the first well in the proposed drilling program and thereafter will have earned its 20% interest in both blocks.

The joint venture is also in discussion with a number of parties that have expressed interest in the possible unconventional shale opportunities that exist across the two Blocks.



265km 2D Seismic Programme to Commence

As a result of this change in short term strategy, preparations for drilling the Namakhvani-1 well, which have been severely hampered by poor weather conditions over the past few months, have been postponed. The Joint Venture will continue with the proposed 265 km 2D seismic programme, but altered to ensure that it can define further the existing potential around Tkibuli as well as some known shallower potential targets and unconventional shale opportunities. The program will include a seismic cross section over the recently drilled Mukhiani Well to assist with evaluating the potential for a side track well based on the geological encounters to date.



For and on behalf of the Board

Greg Bandy
Executive Director



Background

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

- 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. The operator and 60% interest holder, Horn Petroleum Corp. (TSXV: HRN) has spud the first well in a two well programme in early 2012 targeting 300mmbbls and 375mmbbls of best estimate Prospective Resources (100% basis). Site construction has commenced on the second well with the setting of the 30 inch surface casing and drilling of a 50 meter pilot hole in readiness for spudding following completion of the first well.
- 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) previously funded a 410km 2D seismic program with independent consultants RPS Energy identifying 68 potential structures containing an estimated 2.045 billion barrels of undiscovered oil-in-place (on a mean 100% basis) with the first (Mukhiani-1) of two exploration wells having spudded in July 2011. The Company is focussing on a revised development strategy that will focus on low-cost, shallow appraisal drilling of the contingent resources around the Tkibuli-Shaori ("Tkibuli") coal deposit, which straddles the central sections of the Company's two blocks.

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