

17 May 2010

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

TAABINGA UNDERGROUND COAL GASIFICATION PROJECT, KINGAROY, QUEENSLAND

HIGHLIGHTS

- The Taabinga Project at Kingaroy, Queensland contains a JORC resource of 82.1 million tonnes of coal.
- It lies 3-9 km away from Cougar Energy's Kingaroy Underground Coal Gasification (UCG) project where firing was initiated and production of syngas commenced in March 2010.
- The Cougar Energy project has a JORC coal resource similar to that of Taabinga and is estimated to have the potential to sustain a UCG project life of 30 years.
- UCG is at the forefront of the trend for alternative energy and presents very substantial economic potential as well as low environmental impact.
- Kingaroy occurs 150 km northwest of Brisbane and is close to the Tarong Power Station, therefore any energy production in the area has good market potential.
- Red River Resources can earn a 50% equity in the Taabinga project by the expenditure of \$2 million.

Red River Resources Limited (ASX:RVR, "Red River") is pleased to announce that it has entered into a Heads of Agreement (HOA) with Black Gold Resources Limited ("Black Gold"), an unlisted company, whereby it can earn a 50% interest in EPC 1181 and EPC 1921 (the Taabinga Project) for the expenditure of \$2 million. The tenements are situated at Kingaroy, 150 km northwest of Brisbane,

Queensland. Independent consultants have calculated that EPC 1181 contains JORC-compliant indicated and inferred resources of 82.1 million tonnes of coal and there is further exploration potential in EPC 1181 lying to the north (see Figure 1).

The coal deposits in EPC 1181 lie between 3-9 km northwest of the Cougar Energy Limited Kingaroy Underground Coal Gasification (UCG) project which initiated firing of a coal seam and successfully started producing syngas during March 2010. The current JORC resource in ground held by Cougar is 73 million tonnes and this resource is estimated to sustain a UCG project life of 30 years. The coal in the Cougar Energy project area is contained within three seams: the Kunioon, Swain and Googer seams and these three seams extend northwestwards into EPC 1181. Figure 2 shows the locations of coal drillholes in EPC 1181 and Figures 3 and 4 are cross-sections showing the distribution of these coal seams within the permit.

UCG is at the forefront of the trend for alternative energy and it contains significant environmental and economic advantages over coal seam methane and natural gas. The Kingaroy area contains the Tarong Power Station which is powered by coal from the Meandu open cut mine and new sources of energy around Kingaroy are optimally placed to provide power to the Queensland electricity grid.

Currently three companies are trialling UCG in Queensland where the government has placed a moratorium on further UCG evaluation programs until about 2011/12 when a report will be presented to cabinet with its findings on UCG technology. UCG potentially poses conflicting use of coal resources (in the case of underground coal mining) or of the methane contained within the coal seams (in the case of coal seam gas). However the coal seams within EPC 1181 are thermally immature for methane generation so they are not prospective for coal seam gas. Additionally, they have high ash content and they are deep, so not really prospective for underground coal mining. However, the seams within EPC 1181 appear to be eminently suitable for UCG in that they occur between 100-500 metres below surface and have thicknesses ranging up to 15 metres in places. The coal deposits around Kingaroy are suitable for the application of this alternative technology and are unlikely to be declared off-limits to UCG exploitation beyond 2012/13.

TERMS OF THE HOA.

The agreement is subject to shareholder approval by both companies. (Mr David Zohar is a director and major shareholder of both Red River and Black Gold. Therefore the proposed JV between the two companies is a “Related Party Transaction”. The companies are required to have prepared reports by independent experts stating that the Proposed JV is “fair and reasonable” and then distributed to shareholders prior to voting).

Red River is to be the manager of the JV and is to earn a maximum of 50% by spending \$2 million on exploration/development on the exploration licences EPC 1181 and EPC 1921 to earn 50%. The earn-in will be staged with the first tranche of 12.5% earned by expending \$500,000 then a further 37.5% earned by spending \$1.5 million.

Red River must spend a minimum of \$200,000 before any withdrawal. Until any withdrawal Red River is required to keep the tenement in good standing including all legal, government and exploration obligations.

Upon shareholder approval, a full JV agreement will be finalised.



J. Karajas
Managing Director

17 May 2010.

The information within this report as it relates to geology and mineral resources was compiled by the Managing Director Mr John Karajas. Mr Karajas is a Member of the Australian Institute of Geoscientists. Mr. Karajas has sufficient experience which is relevant to the style of mineralization and the type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, the JORC Code”. Mr Karajas consents to the inclusion in the report of the matters based on information in the form and context which it appears.

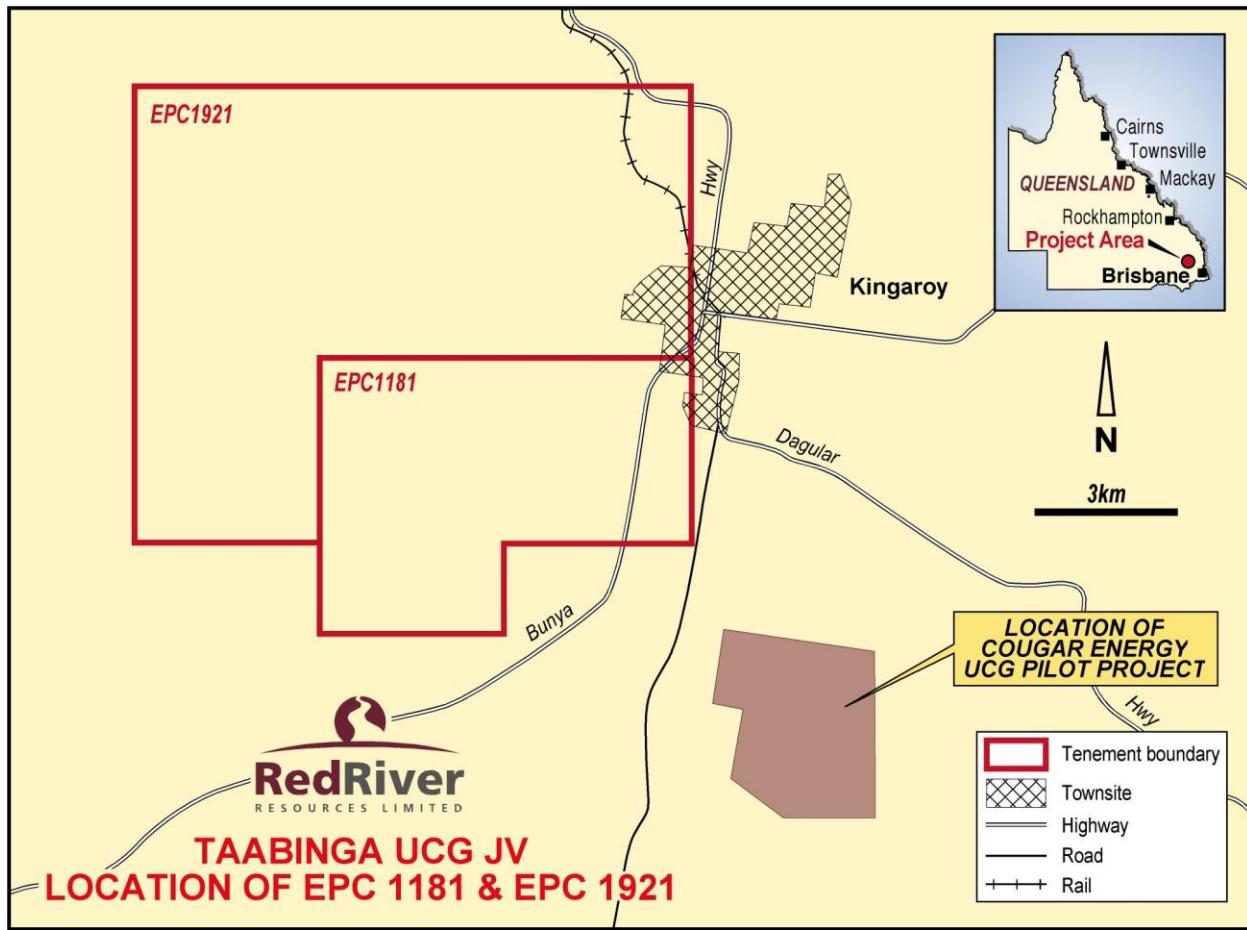


Figure 1

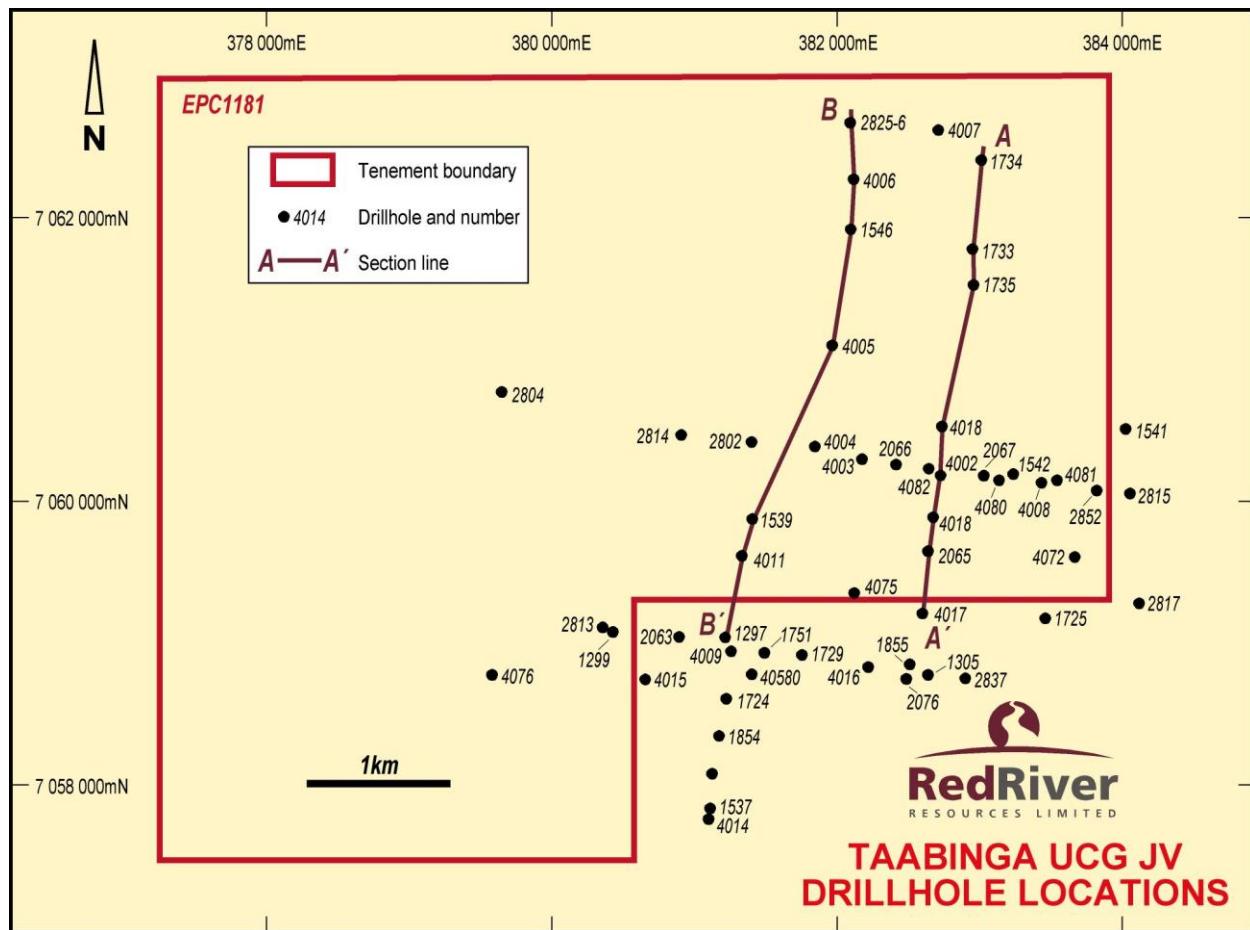


Figure 2

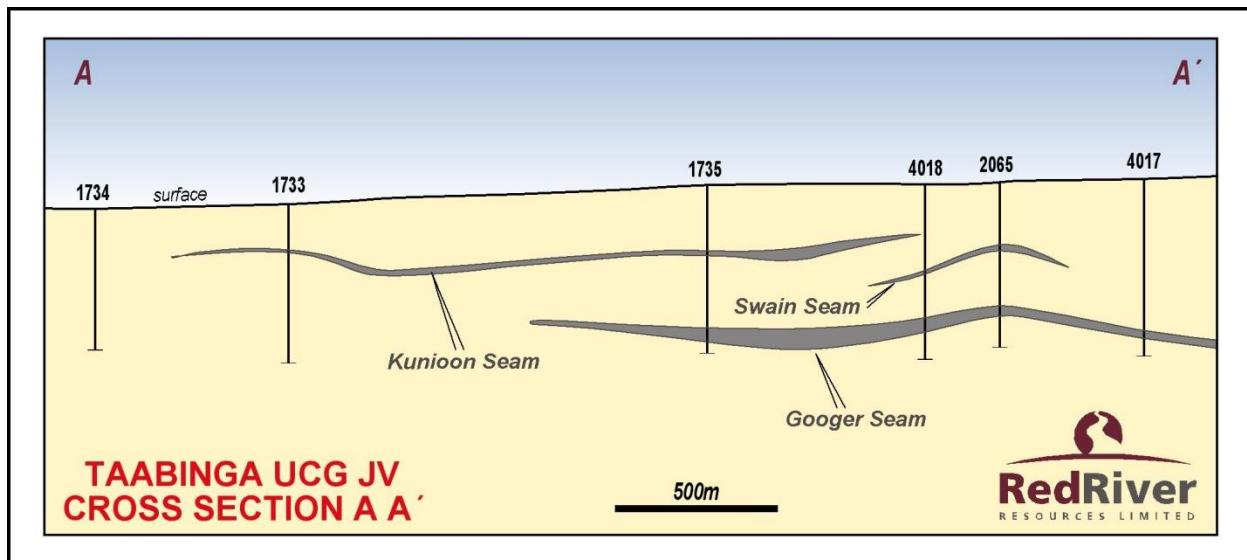


Figure3

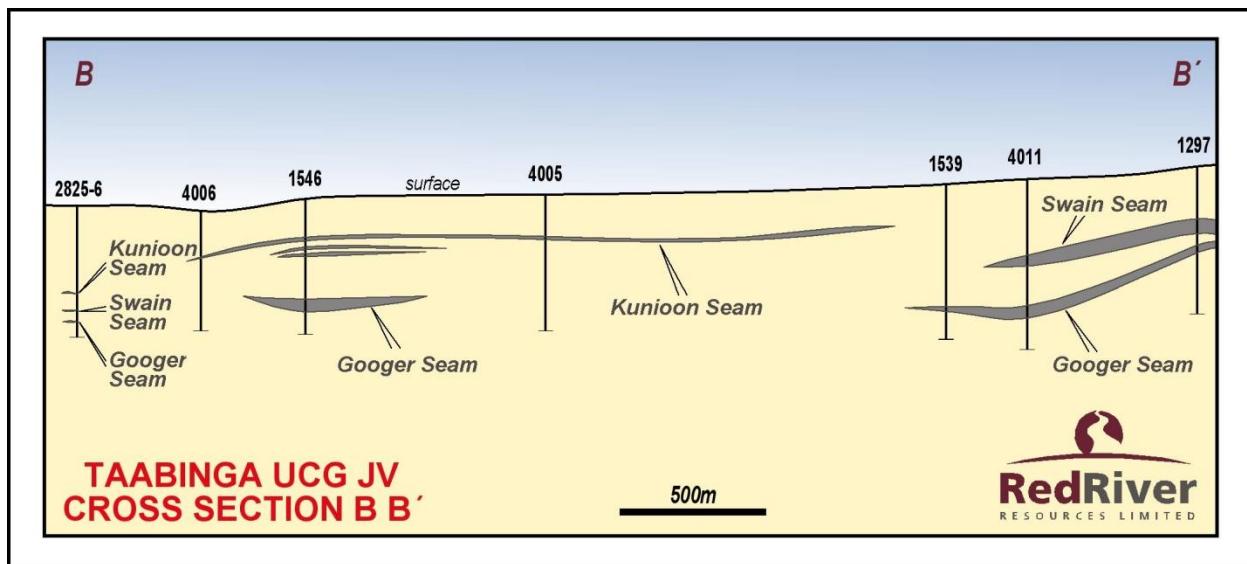


Figure 4