



ABN 99 124 734 961

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Interim Financial Report  
For the Half Year Ended 31 December 2008

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**RED EMPEROR RESOURCES NL**  
**ABN 99 124 734 961**

**INTERIM FINANCIAL REPORT**  
**For the Half Year Ended 31 December 2008**

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## **COMPANY DIRECTORY**

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### **MANAGING DIRECTOR**

Kent Hunter

### **NON-EXECUTIVE DIRECTORS**

Stephen Brockhurst

Terry Gardiner

### **COMPANY SECRETARY**

Elizabeth Hanrahan

### **PRINCIPAL AND REGISTERED OFFICE**

Suite 32, Level 3, 22 Railway Road

SUBIACO WA 6008

Telephone: (08) 9388 8041

Facsimile: (08) 9388 8042

### **AUDITORS**

Bentleys

Level 1, 12 Kings Park Road

WEST PERTH WA 6005

### **SHARE REGISTRAR**

Advanced Share Registry Services

150 Stirling Highway

NEDLANDS WA 6009

Telephone: (08) 9389 8033

Facsimile: (08) 9389 7871

### **STOCK EXCHANGE LISTING**

Australian Stock Exchange

(Home Exchange: Perth, Western Australia)

Code: RMP, RMPO

**RED EMPEROR RESOURCES NL  
ABN 99 124 734 961**

**INTERIM FINANCIAL REPORT**

**DIRECTORS' REPORT**

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Your directors submit the financial report of the Company for the half year ended 31 December 2008.

**DIRECTORS**

The names of Directors who held office during or since the end of the half year are:

Kent Hunter	Managing Director
Stephen Brockhurst	Non-Executive Director
Terry Gardiner	Non-Executive Director

**REVIEW OF OPERATIONS**

**SIBERIAN POTASH ACQUISITION AGREEMENT**

On 16 December 2008 the Company announced it had entered into an agreement to acquire a 70% interest in a substantial potash project in South-East Siberia, Russia (**Potash Project**). The acquisition is conditional, inter alia, on the vendor demonstrating that it has clear title to the Potash Project. The Company expects that the acquisition of the Potash Project will be completed by mid 2009.

The consideration for acquiring the Potash Project is US\$9million cash and 6 million fully paid ordinary shares in the capital of the Company plus a further 6 million shares for every 50 million tonnes of JORC compliant potash resource, commencing from 100 million tonnes and up to a maximum of 500 million tonnes (with such resource being calculated up until the completion of the bankable feasibility study).

The 30% interest that the vendors retain will be free carried through to completion of a bankable feasibility study. The Company will provide such financial assistance to the vendors as they require to enable the vendor to be in a position to deliver the 70% interest in the Potash Project. Any such financial assistance will either be applied to the cash portion of the acquisition consideration to be refunded in full (in the event the acquisition does not proceed).

The agreement is subject to and conditional upon all required shareholder and regulatory approvals (if any) being obtained.

**RUSSIAN TIMBER PROJECT**

As announced to ASX on 19 June 2008, the Company has entered into a Memorandum of Understanding with Russian partners whereby the partners will provide the Company with the opportunity to acquire a 100% interest in a license to harvest a timber resource in Russia (**License**).

The Company has completed its due diligence on the proposed acquisition of the License, located in the Russian province of Chita, Siberia and remains confident that it will proceed to the acquisition of the License. It is expected that the License will have an annual harvesting allowance of up to 570,000m<sup>3</sup> per annum. Sawn timber is presently selling for in excess of US\$200 (A\$300) per cubic metre.

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**INTERIM FINANCIAL REPORT**

**DIRECTORS' REPORT**

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The Company is confident the project will produce substantial cash flows, commencing in the near term. This will assist the Company to continue to develop its already strong relationships with the regional authorities and to thereby be in an excellent position to exploit a number of the many opportunities within Russia and particularly the Chita province.

**OTHER PROJECTS WITH RUSSIAN PARTNERS**

The Company and its Russian Partners continue to source and review alternative resource projects, including mineral resources, for attractive opportunities to add shareholder value. The Company is currently reviewing several prospective projects.

**EXPLORATION UPDATE**

**Jillewarra Project**

The Company completed a helicopter borne electromagnetic and magnetic survey over a portion of E51/1114 and P51/2565 with a view to identifying conductive bodies associated with massive sulphide beneath the surface. Results from the survey were received and were forwarded to a third party consultancy for processing and interpretation. The processing of both data sets has been completed but interpretation of the electromagnetic data is yet to be received.

An Aboriginal Heritage survey was completed over the three prospect areas, E51/1091, E51/1114 and P51/2565. A final report has been received, clearing the way for reconnaissance drilling to begin over selected targets.

**AUDITOR'S INDEPENDENCE DECLARATION**

**Lead Auditors Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration for the half year ended 31 December 2008 is set out on page 13.

This report is signed in accordance with a resolution of the Board of Directors.



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Kent Hunter  
Director

Perth  
Dated 12 March 2009

**RED EMPEROR RESOURCES NL**  
**ABN 99 124 734 961**

**INCOME STATEMENT**  
For the Half Year Ended 31 December 2008

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	<b>Note</b>	<b>31 December 2008</b>	<b>31 December 2007</b>
		\$	\$
Revenue from ordinary activities		73,227	107,993
Fair value gain on financial assets		-	324,936
Administration expenses		(25,320)	(40,370)
Compliance and regulatory expenses		(32,412)	(12,281)
Consultancy costs		(52,636)	(26,819)
Directors fees		(29,250)	(25,000)
Employee benefits expense		(6,450)	(5,250)
Occupancy expense		(12,000)	(12,000)
Loss on share trading		(26,000)	-
Net fair value loss on financial assets		(841,316)	-
Exploration expenditure written off		(269)	-
Forestry expenditure written off		(349,579)	-
Project generation expense written off		(367,360)	-
Impairment of exploration expenditure		-	(106,702)
		(1,669,365)	204,507
Profit/(loss) before income tax expense		(1,669,365)	204,507
Income tax expense		-	-
		(1,669,365)	204,507
(Loss)/profit for the half year		(1,669,365)	204,507
Basic loss per share (cents per share)		(4.28)	0.59

The accompanying notes form part of this financial report.

**RED EMPEROR RESOURCES NL**  
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**BALANCE SHEET**  
As at 31 December 2008

	<b>Note</b>	<b>31 December 2008</b>	<b>30 June 2008</b>
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,656,209	2,699,284
Trade and other receivables		49,752	37,995
Financial assets at fair value through profit and loss		639,223	1,417,874
<b>TOTAL CURRENT ASSETS</b>		<b>2,345,184</b>	<b>4,155,153</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure		651,317	462,418
<b>TOTAL NON-CURRENT ASSETS</b>		<b>651,317</b>	<b>462,418</b>
<b>TOTAL ASSETS</b>		<b>2,996,501</b>	<b>4,617,571</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		129,477	81,182
<b>TOTAL CURRENT LIABILITIES</b>		<b>129,477</b>	<b>81,182</b>
<b>TOTAL LIABILITIES</b>		<b>129,477</b>	<b>81,182</b>
<b>NET ASSETS</b>		<b>2,867,024</b>	<b>4,536,389</b>
<b>EQUITY</b>			
Issued Capital		5,103,029	5,103,029
Option reserve		194,990	194,990
Retained profits/(loss)		(2,430,995)	(761,630)
<b>TOTAL EQUITY</b>		<b>2,867,024</b>	<b>4,536,389</b>

The accompanying notes form part of this financial report.

**RED EMPEROR RESOURCES NL**  
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**STATEMENT OF CHANGES IN EQUITY**  
For The Half Year Ended 31 December 2008

	<b>Issued Capital</b>	<b>Retained Profits/(Losses)</b>	<b>Option Reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	308,253	(5,141)	-	303,112
Shares issued during the year	5,250,000	-	-	5,250,000
Options issued during the year	-	-	195,000	195,000
Transaction costs	(445,213)	-	-	(445,213)
Profit / (loss) attributable to members	-	204,507	-	204,507
<b>Balance at 31 December 2007</b>	<b>5,113,040</b>	<b>199,366</b>	<b>195,000</b>	<b>5,507,406</b>
	<b>Issued Capital</b>	<b>Retained Profits/(Losses)</b>	<b>Option Reserve</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance at 1 July 2008</b>	5,103,029	(761,630)	194,990	4,536,389
Shares issued during the year	-	-	-	-
Options issued during the year	-	-	-	-
Transaction costs	-	-	-	-
Profit / (loss) attributable to members	-	(1,669,365)	-	(1,669,365)
<b>Balance at 31 December 2008</b>	<b>5,103,029</b>	<b>(2,430,995)</b>	<b>194,990</b>	<b>2,867,024</b>

The accompanying notes form part of these financial statements.



**RED EMPEROR RESOURCES NL**  
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**CASH FLOW STATEMENT**  
For The Half Year Ended 31 December 2008

	<b>31 December 2008</b>	<b>31 December 2007</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(156,983)	(119,904)
Payments for exploration and evaluation	(140,148)	(113,030)
Payments for forestry and evaluation	(353,567)	-
Payments for mineral project generation	(389,528)	-
Interest received	85,817	91,328
	(954,409)	(141,606)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of exploration assets	-	(100,500)
Purchase of shares	(88,666)	(1,093,513)
	(88,666)	(1,194,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	-	5,188,940
Payments for costs of issue of shares	-	(445,889)
	-	4,743,051
Net cash provided by financing activities	-	4,743,051
Net increase/(decrease) in cash held	(1,043,075)	3,407,432
Cash at beginning of half year	2,699,284	309,639
	1,656,209	3,717,071
Cash at end of reporting half year	1,656,209	3,717,071

The accompanying notes form part of this financial report.

**RED EMPEROR RESOURCES NL**  
**ABN 99 124 734 961**

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Half Year Ended 31 December 2008

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**1. STATEMENT OF SIGNIFICANT ACCOUNT POLICIES**

**Significant Accounting Policies**

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Red Emperor Resources NL during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the entity's 2008 annual financial report for the financial year ended 30 June 2008.

In the half-year ended 31 December 2008, the entity has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008.

It has been determined by the entity that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore, no change is necessary to entity accounting policies.

**Reporting Basis and Conventions**

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**RED EMPEROR RESOURCES NL**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Half Year Ended 31 December 2008

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**2. SEGMENT INFORMATION**

The Company operates predominantly in two geographical segments, being Australia and Russia, and in two business segments, mineral exploration and forestry.

<b>Primary Reporting - Geographical Segments</b>	<b>Australia</b>	<b>Russia</b>	<b>Total</b>
	\$	\$	\$
Revenues from ordinary activities	73,227	-	73,227
Segment results (loss)	(952,426)	(716,939)	(1,669,365)
Segment assets	1,735,961	-	1,735,961
Segment liabilities	(129,477)	-	(129,477)
Acquisitions of financial assets and other non-current segment assets	1,290,540	-	1,290,540

<b>Primary Reporting - Business segments</b>	<b>Exploration</b>	<b>Forestry</b>	<b>Total</b>
	\$	\$	\$
Revenues from ordinary activities	73,227	-	73,227
Segment results (loss)	(1,319,786)	(349,579)	(1,669,365)
Segment assets	1,735,961	-	1,735,961
Segment liabilities	(129,477)	-	(129,477)
Acquisitions of financial assets and other non-current segment assets	1,290,540	-	1,290,540

**3. EVENTS SUBSEQUENT TO REPORTING DATE**

Since the reporting date, the Australian stock market has undergone a significant change in value and consequently the fair value of financial assets as at the date of this report has reduced by approximately \$88,000.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**4. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

The Company currently has no contingent assets or contingent liabilities.

**RED EMPEROR RESOURCES NL**  
**ABN 99 124 734 961**

**DIRECTORS' DECLARATION**  
For the Half Year Ended 31 December 2008

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The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 11 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



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Kent Hunter  
Director

PERTH  
Dated 12 March 2009

To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our review of the financial report of Red Emperor Resources NL for the half year ended 31 December 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

*Bentleys*

**BENTLEYS**  
**Chartered Accountants**



**CHRIS WATTS**  
**Director**

DATED at PERTH this 12th day of March 2009

## Independent Auditor's Review Report

### To the Members of Red Emperor Resources NL

We have reviewed the accompanying half-year financial report of Red Emperor Resources NL (the company) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

#### Directors Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Red Emperor Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

**RLF Bentleys**  
**Audit & Corporate Pty Ltd**  
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# **Independent Auditor's Review Report**

To the Members of Red Emperor Resources NL (Continued)

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## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Red Emperor Resources NL is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Bentleys".

**BENTLEYS**  
**Chartered Accountants**

A handwritten signature in blue ink that reads "Chris Watts".

**CHRIS WATTS**  
**Director**

DATED at PERTH this 12th day of March 2009