RED EMPEROR RESOURCES NL

ACN 124 734 961

Annual Report

For the year ended 30 June 2008

CONTENTS

COMPANY DIRECTORY

MANAGING DIRECTOR
Kent Hunter

NON-EXECUTIVE DIRECTOR
Stephen Brockhurst
Terry Gardiner

COMPANY SECRETARY
Elizabeth Hanrahan

REGISTERED OFFICE

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SUBIACO WA 6008

AUDITORS

Bentleys
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

SHARE REGISTRAR

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NEDLANDS WA 6009
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STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: RMP, RMPO

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2008.

1. DETAILS OF DIRECTORS AND OFFICERS

Directors holding office during all of the financial year and up to the date of this report unless otherwise stated are:

Kent Hunter	Managing Director	
Qualifications	BBus, CA	
Experience	Mr Hunter is a Chartered Accountant with over 15 years' corporate and company secretarial experience. He has been involved in the listing of over 20 exploration companies on ASX in the past 8 years.. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited, Scimitar Resources Limited and Gryphon Minerals Limited and is company secretary of two other ASX Listed entities.	
Directorships of listed companies held within the last 3 years	Scimitar Resources Limited	November 2002 to present
	Cazaly Resources Limited	August 2003 to present
	Gryphon Minerals Limited	January 2004 to present
	Elixir Petroleum Limited	March 2004 to November 2007
	Venture Minerals Limited	May 2006 to 18 July 2008
Interest in Shares	1,108,001 ordinary fully paid shares	
Interest in Options	504,000 $0.25 31 August 2009	
Stephen Brockhurst	Director	
Qualifications	BCom	
Experience	Stephen is an Accountant with 6 years' corporate and company secretarial experience. He has been involved in the listing of over ten junior gold and mineral exploration companies on ASX in the past four years with capital raisings exceeding $40 million. He has experience in capital raisings, ASX compliance and regulatory requirements. Stephen is currently also a Director of Blackham Resources Limited and Stirling Minerals Limited.	
Directorships of listed companies held within the last 3 years	Blackham Resources Limited	May 2006 to present
	Stirling Minerals Limited	April 2008 to present
	Bannerman Resources Limited	February 2005 to June 2007
Interest in Shares	250,001 ordinary fully paid shares	
Interest in Options	125,000 $0.25 31 August 2009	

DIRECTORS REPORT (Continued)

Terry Gardiner	Director
Qualifications	Diploma of Financial Services (Financial Planning)
Experience	Mr Gardiner holds a Diploma in Financial Services and is an Executive Director of Barclay Wells Limited, a boutique Perth broking firm. Mr Gardiner has extensive business experience ranging from owning and operating a number of private businesses, funds management administration, entertainment and hospitality services, property investment and share and derivatives trading. Mr Gardiner has experience in capital raisings and support and promotion in the junior mining sector and also extensive experience in discretionary funds management for sophisticated and private investors.
Directorships of listed companies held within the last 3 years	Nil
Interest in Shares	714,100 ordinary fully paid shares
Interest in Options	438,500 $0.25 31 August 2009
Date appointed	8 January 2008
Matthew Pedley	Director
Qualifications	BCom
Experience	Mr Pedley has a Bachelor of Commerce from Murdoch University with majors in Accounting and Finance. He has also completed a Graduate Certificate of Applied Finance and Investment from the Financial Services Institute of Australasia. Mr Pedley has previously worked for a big four accounting firm for approximately six years in the Audit and Assurances and Corporate Finance Divisions gaining experience in compliance reviews, project management, valuations and mergers and acquisitions. He has also worked in the Corporate Division for a listed stockbroker gaining experience in IPOs and capital raisings.
Directorships of listed companies held within the last 3 years	Nil
Interest in Shares	250,001 ordinary fully paid shares
Interest in Options	125,000 $0.25 31 August 2009
Date resigned	8 January 2008

DIRECTORS REPORT (Continued)

COMPANY SECRETARY

The Company Secretary, Elizabeth Hanrahan, BSc, was appointed as Company Secretary upon incorporation of the Company.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration and project acquisition.

There were no significant changes in the nature of the Company's principal activities during the financial year.

3. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to $756,489 (2007: $5,141).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. REVIEW OF OPERATIONS

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 (Project). It is expected that the Project will have an annual harvesting allowance of well in excess of 500,000m^3 per annum (License). Sawn timber is presently selling for in excess of US$200 per cubic metre. The strip ratio of harvested to sawn timber is approximately 50%.

In July 2008, the Directors of Red Emperor travelled to Chita, a province in Siberia, southern Russia in relation to the opportunity to acquire the Project where they met with the Vice-Governor of the Chita Province, the Chief of Industry for the Chita Province and the Chief and Vice-Chief of Forestry for the Chita Province.

A scoping study for submission to the provincial forestry department is currently being prepared by Poyry Forest Industry Consulting Oy, part of the Poyry Group, a globally operating consulting and engineering firm with some 7,300 experts in 45 countries with three core areas of expertise, forest industry, energy and infrastructure and environment. The final report is expected in the very short term.

If the Directors are satisfied that the study shows a satisfactory risk adjusted return to the Company and its shareholders, it will move to finalise due diligence with the view to acquiring the Project during the coming months.

Red Emperor and its Russian Partners will then apply for Strategic Investor Incentive status, which if successful will allow the Russian group to apply to the provincial forestry department to acquire the Project on a non-competitive basis. Should the Russian group then be granted the licence for the Project, the Company will be entitled to acquire 100% ownership of the Project. The consideration payable by Red Emperor for acquiring the Project is EUR5 million .

DIRECTORS REPORT (Continued)

5. REVIEW OF OPERATIONS (con't)

Should the Company acquire the Project, Red Emperor's strategy is to become a leading global timber group, focused on the sustainable utilisation of Russia's high quality, underexploited timber resources by:

- identifying currently unexploited forest resources in Russia for possible future development with a view to increasing harvesting to 2.0 million m^3 by 2012; and
- developing downstream production capability so Red Emperor is selling semi-finished timber products rather than raw logs.

Jillewarra

The Jillewarra Project is located north west of Meekatharra on Belele Station and Koonmarra Station. Previous exploration activities have comprised exploration for nickel and base metals during the 1960s and 70s followed by gold exploration from the late 1980s onwards. Although some quite extensive exploration programs have taken place in the past, the effectiveness of much of this is debatable, and certainly in the case of base metals exploration, techniques have improved considerably during the intervening period.

Aerial photography of the Project was purchased across project area to facilitate mapping. Historical data is being extracted from open file reports and added to the Jillewarra Database and data compilation will confirm the location of historical exploration results and provide targets for ground truthing.

Earlier in the year, Digirock Pty Ltd were engaged to conduct a review of existing data and generate a proposal for initial exploration work including geological mapping and reconnaissance trip to plan RAB drilling. The field trip was limited due to difficulties encountered with tenement access.

Digirock's data review highlighted that potential remains for the discovery of lode gold deposits and also for base metals. One of the key findings of the review was the identification of the large differentiated basic to ultrabasic sills. These have received limited historical exploration using outdated methods. The proposed initial stage is to resample existing drillholes intersecting ultramafics as well as collecting samples from outcropping sills to establish the prospectivity of the area. Samples will be analysed with a comprehensive suite of elements.

If geochemical prospectivity is established, an airborne EM survey will be carried out over the basal sections of prospective ultramafics. Systems that were used historically, struggled to detect conductors below conductive overburden. The VTEM system would be recommended for this survey.

A work program has been submitted to the Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation for aboriginal heritage clearance prior to drilling operations. As yet the Company has not received any correspondence regarding the completion of the heritage survey. The Company is using all endeavours to have the survey completed and commencing field operations.

DIRECTORS REPORT (Continued)

6. SIGNFICANT CHANGES IN STATE OF AFFAIRS

On 16 July 2007 the Company issued a Prospectus offering up to 20,000,000 shares at $0.25 to raise up to $5,000,000.

On 10 August 2007 the Company issued 20,000,000 shares at $0.25 pursuant to the Prospectus dated 16 July 2007.

On 10 August 2007 the Company issued 1,000,000 shares to Vendors pursuant to the Prospectus dated 16 July 2007.

On 14 August 2007 the Company was admitted to the official list of the Australian Securities Exchange and commenced official quotation on 16 August 2007.

On 31 October 2007 the Company announced the pro rata non-renounceable offer of up to 19,500,002 options at an issue price of one (1) cent per option on the basis of one option for every two shares held at 14 November 2007. The closure of the offer was subsequently announced on 12 December 2007 and 19,500,002 options issued, exercisable at $0.25 on or before 31 August 2009.

On 21 December 2007 the Company announced it had entered into a memorandum of understanding with Marr Group Holdings Limited to provide an introduction to a Russian Group to facilitate the opportunity for the Company to acquire a majority interest in a substantial mineral asset located in Russia. If the Company does not enter into an Acquisition Agreement on or before 30 September 2008 (or later date as mutually agreed) the obligations will be at an end.

On 7 January 2008 the Company issued 1,000 ordinary fully paid shares pursuant of the exercise of 1,000 $ 0.25 31 August 2009 options.

On 19 June 2008 the Company announced it had entered into a memorandum of understanding with Russian Partners whereby the partners will provide the Company with an opportunity to acquire a 100% interest in a licence to harvest a timber resource in Russia. The Company is currently undertaking due diligence on the project. Should the due diligence prove satisfactory, the consideration for the acquisition of 100% of the project will consist of EUR5 million.

7. AFTER BALANCE DATE EVENTS

No 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.

8. FUTURE DEVELOPMENTS

The Company will continue its mineral exploration activity at its exploration projects with the object of identifying commercial resources.

The Company will continue due diligence on the Russian timber resource and if satisfactory proceed with the acquisition of 100% of the project.

DIRECTORS REPORT (Continued)

9. ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

10. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Red Emperor Resources NL.

Remuneration Policy

The remuneration policy of Red Emperor Resources NL has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Red Emperor Resources NL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The Remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the board. In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation options and fringe benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board however acquired shares as part of the terms of the Initial Public Offer. Board members have retained these securities which assist in aligning their objectives with overall shareholder value.

Due to their shareholding in the Company the Board, via the 1 for 2 non renounceable entitlements offer also were issued options on the same terms as the other shareholders.

Options may also be issued to Board members to provide a mechanism to participate in the future development of the Company and as an incentive for their future involvement with and commitment to the Company.

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

DIRECTORS REPORT (Continued)

10. REMUNERATION REPORT (con't)

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and executives are encouraged to buy shares in the Company. In addition Directors and executives may be issued shares and/or options to encourage the alignment of personal and shareholder interest.

Details of Remuneration for Year Ended 30 June 2008

The remuneration for each director of the company receiving the highest remuneration during the year was as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT	SECURITIES ISSUED		TOTAL
	Salary	Other (i)	Non-Cash	Superannuation	Equity	Options	$
Directors							
Kent Hunter – Managing Director							
2008	73,333	58,500	-	6,600	-	-	138,433
2007	-	-	-	-	-	-	-
Stephen Brockhurst – Non Executive Director							
2008	27,500	58,500	-	2,475	-	-	88,475
2007	-	-	-	-	-	-	-
Terry Gardiner – Non Executive Director (appointed 8 January 2008)							
2008	15,000	-	-	1,350	-	-	16,350
2007	-		-	-	-	-	-
Matthew Pedley – Non Executive Director (resigned 8 January 2008)							
2008	12,500	-	-	1,125			13,625
2007	-	-	-	-			-
Total Remuneration Directors							
2008	128,333	117,000	-	11,550	-	-	256,883
2007	-	-	-	-	-	-	-

i) An aggregate amount of $117,000 was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of IPO management, corporate and secretarial services to the Company.

DIRECTORS REPORT (Continued)

10. REMUNERATION REPORT (con't)

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Kent Hunter are formalised in a contract of employment. Other than the Managing Director, all executives are permanent employees of Red Emperor Resources NL.

The employment contract states a three-month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

During and since the end of financial year, no options were issued to Directors and executives as part of remuneration.

Options in which Directors have a relevant interest are pursuant to the non-renounceable issue of options to shareholders.

Directors	**Number**	**Exercise Price**	**Expiry Date**
Kent Hunter	504,000	$0.25	31 August 2009
Stephen Brockhurst	125,000	$0.25	31 August 2009
Terry Gardiner	438,500	$0.25	31 August 2009
Matthew Pedley (resigned 8 January 2008)	125,000	$0.25	31 August 2009

11. DIRECTORS' INTEREST IN CONTRACT

Messrs Hunter and Brockhurst are directors and shareholders of Mining Corporate Pty Ltd, which provides company secretarial services to Red Emperor Resources NL.

12. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial period each director held office during the financial period and the number of meetings attended by each director are:

	Directors Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Kent Hunter	9	9
Stephen Brockhurst	9	9
Terry Gardiner	3	3
Matthew Pedley	6	6

The Company does not have a formally constituted audit committee as the board considers that the company's size and type of operation do not warrant such a committee.

DIRECTORS REPORT (Continued)

13. OPTIONS

At the date of this report, the following options over unissued ordinary shares of the Company exist:

Date of grant	Date options expire	Issue price of options shares	Number of options
13 December 2007	31 August 2009	$0.25	18,867,999
21 December 2007	31 August 2009	$0.25	631,003

These options do not carry any right to participate in any other share issues of the Company.

During the financial year 1,000 ordinary shares have been issued as the result of the exercise of options. There has been no further issue of ordinary shares as the result of the exercise of options since the end of the financial year.

14. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, and no proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237. The company was not a party to any such proceedings.

15. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

16. NON-AUDIT SERVICES

The board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for the non-audit services were paid to the external auditors during the year ended 30 June 2008.

	$
Independent Accountants Report	7,000

DIRECTORS REPORT (Continued)

17. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required by Section 307C of the *Corporations Act 2001* is set out on the next page.

Signed in accordance with a resolution of the Board of Directors.

Kent Hunter
Managing Director **Perth, 18 September 2008**

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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 audit of the financial report of Red Emperor Resources NL for the year ended 30 June 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 audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 18th day of September 2008

Bentleys
Thinking ahead

Independent Audit Report

To the Members of Red Emperor Resources NL

RLF Bentleys
Audit & Corporate Pty Ltd
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We have audited the accompanying financial report of Red Emperor Resources NL (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 9 to 11 of the directors' report and not in the financial report.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Red Emperor Resources NL is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

c. the remuneration disclosures that are contained in pages 9 to 11 of the directors' report comply with Accounting Standard AASB 124.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 18th day of September 2008

INCOME STATEMENT
For the year ended 30 June 2008

	NOTE	30 June 2008	Period from 2 April 2007 to 30 June 2007
		$	**$**
Revenues from ordinary activities	2	215,649	2,091
Administration expenses		(54,081)	(82)
Compliance and regulatory expenses		(47,817)	(6,500)
Consultancy costs		(57,567)	-
Directors fees		(57,667)	-
Employee benefits expense		(11,550)	-
Incorporation costs		-	(650)
Occupancy expense		(24,000)	-
Exploration expenditure written off		(220,150)	-
Forestry expenditure written off		(260,510)	-
Net fair value loss on financial assets		(238,796)	-
Loss before income tax expense		(756,489)	(5,141)
Income tax expense	3	-	-
Loss for the period		(756,489)	(5,141)
Basic loss per share (cents per share)	5	(2.06)	-

The accompanying notes form part of these financial statements.

BALANCE SHEET
As at 30 June 2008

	NOTE	30 June 2008 $	30 June 2007 $
CURRENT ASSETS			
Cash and cash equivalents	6	2,699,284	309,639
Trade and other receivables	7	37,995	12,774
Financial asset at fair value through profit and loss	8	1,417,874	-
TOTAL CURRENT ASSETS		4,155,153	322,413
NON CURRENT ASSETS			
Exploration and evaluation expenditure	9	462,418	500
TOTAL NON CURRENT ASSETS		462,418	500
TOTAL ASSETS		**4,617,571**	**322,913**
CURRENT LIABILITIES			
Trade and other payables	10	81,182	19,801
TOTAL CURRENT LIABILITIES		81,182	19,801
TOTAL LIABILITIES		**81,182**	**19,801**
NET ASSETS		**4,536,389**	**303,112**
EQUITY			
Issued capital	11	5,103,029	308,253
Option reserve	12	194,990	-
Accumulated losses		(761,630)	(5,141)
TOTAL EQUITY		**4,536,389**	**303,112**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2008

	Issued Capital $	Option Reserve $	Accumulated Losses $	Total $
Balance at 2 April 2007	-	-	-	-
Shares issued during the year	308,253	-	-	308,253
Profit / (loss) attributable to members	-	-	(5,141)	(5,141)
Balance at 30 June 2007	**308,253**	**-**	**(5,141)**	**303,112**
Issue of share capital	5,250,250	-	-	5,250,250
Issue of options	-	195,000	-	195,000
Exercise of options	10	(10)	-	-
Costs to issue	(455,484)	-	-	(455,484)
Profit / (loss) for the period	-	-	(756,489)	(756,489)
Balance at 30 June 2008	**5,103,029**	**194,990**	**(761,630)**	**4,536,389**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 30 June 2008

	NOTE	30 June 2008 $	Period from 2 April 2007 to 30 June 2007 $
Cash Flows from Operating Activities			
- Payments to suppliers and employees		(269,278)	(205)
- Payments for exploration and evaluation		(263,391)	(500)
- Payments for forestry evolution		(260,510)	-
- Interest received		199,727	2,091
Net cash used in operating activities	15(ii)	(593,452)	1,386
Cash Flows from Investing Activities			
- Purchase of exploration assets		(100,000)	-
- Purchase of shares		(1,656,670)	-
Net cash used in investing activities		(1,756,670)	-
Cash Flows from Financing Activities			
- Proceeds from issue of shares		5,000,250	308,253
- Proceeds from issue of options		195,000	-
- Payments for the costs of the issue of shares		(455,483)	-
Net cash provided by financing activities		4,739,767	308,253
Net increase/(decrease) in cash held		2,389,645	309,639
Cash at beginning of financial year		309,639	-
Cash at end of financial year	15(i)	2,699,284	309,639

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company of Red Emperor Resources NL. Red Emperor Resources NL is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable by the measurement at fair value of non-current assets and financial liabilities.

(a) Taxation

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluation related to an area of interest are accumulated. Costs are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

These assets are considered for impairment on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient key data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(c) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those or segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

(d) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below. *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i.Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

(d) Financial Instruments (con't)

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Foreign Currency Transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

(g) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

(l) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(m) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Share Based Payments

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for:
costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

No 2007 comparative figure has been presented as the results of the short period of the report present a distorted earning per share result.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

(q) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

The financial report was authorised for issue on 18 September 2008 by the board of directors.

2. REVENUE

	2008 **$**	**2007** **$**
Interest received	215,649	2,091

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

3. *INCOME TAX EXPENSE*	**2008 $**	**2007 $**
The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

	2008 $	**2007 $**
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net loss before tax	(756,489)	(5,141)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30%	(226,947)	(1,542)
Increase in income tax due to:		
Non-deductible expenses	1,316	195
Effect of current year tax losses not recognised	252,960	194
Increase in respect of derecognition of current year temporary differences	-	1,950
Decrease in income tax expense due to:		
Tax benefit of deductible equity raising costs	(27,329)	(797)
Income tax attributable to entity	-	-
(b) **Unrecognised deferred tax assets**		
Deferred tax assets have not been recognised in respect of the following:		
Deductible temporary differences	110,664	5,136
Tax revenue losses	253,153	194
Tax capital losses	-	-
	363,817	5,330

4. *AUDITORS' REMUNERATION*	***2008 $***	***2007 $***
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	16,500	6,500
- Other services	7,000	-
	23,500	6,500

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

		2008	2007
5.	***EARNINGS PER SHARE***	**$**	**$**
(a)	Earnings / (Loss) used in the calculation of basic EPS	(756,489)	-
		Number of Shares	***Number of Shares***
(b)	Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	36,699,102	-
(c)	Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share:	47,370,736	-

No 2007 comparative figure has been presented as the results of the short period of the report present a distorted earning per share result.

6. *CASH AND CASH EQUIVALENTS*

Cash at bank and in hand	133,813	309.639
Short term bank deposits	2,565,471	-
	2,699,284	309,639

7. *TRADE AND OTHER RECEIVABLES*

Current		
Accrued interest	15,923	-
Other debtors	19,515	148
Prepayments	2,557	12,626
	37,995	12,774

8. *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS*

Current available for sale financial assets		
Shares in listed corporations, at fair value	1,417,874	-

Available for sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS	**2008**	**2007**
	$	**$**
Non-Current		
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases – at cost	462,418	500
Movement		
Brought forward	500	-
Exploration expenditure capitalised during the year	682,068	500
Exploration expenditure written off	(220,150)	-
	462,418	500

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

10. TRADE AND OTHER PAYABLES	**2008**	**2007**
	$	**$**
Current		
Trade creditors	69,832	13,301
Accruals	11,350	6,500
	81,182	19,801

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

11. ISSUED CAPITAL

	2008 $	2007 $
Ordinary Shares		
At the beginning of the reporting period	308,253	-
Shares issued during the year		
- 3 subscriber shares issued on 2 April 2007	-	3
- 7,500,000 promoter shares issued 9 April 2007	-	7,500
- 7,500,000 partly paid shares, paid to $0.0001	-	750
- 3,000,000 seed shares issued 11 May 2007	-	300,000
- 1,000,000 vendor shares issued 18 August 2007	250,000	-
- 20,000,000 subscriber shares issued 18 August 2007	5,000,000	-
Options exercised during the year		
- 1,000 on 11 January 2008	260	-
Transaction costs relating to share issues	(455,484)	-
At reporting date	5,103,029	308,253

	No.	No.
Ordinary Shares		
At the beginning of the reporting period	18,000,003	-
Shares issued during the year		
- 3 subscriber shares issued on 2 April 2007	-	3
- 7,500,000 promoter shares issued 9 April 2007	-	7,500,000
- 7,500,000 partly paid shares, paid to $0.0001	-	7,500,000
- 3,000,000 seed shares issued 11 May 2007	-	3,000,000
- 1,000,000 vendor shares issued 18 August 2007	1,000,000	-
- 20,000,000 subscriber shares issued 18 August 2007	20,000,000	-
Options exercised during the year		
- 1,000 on 11 January 2008	1,000	-
At reporting date	39,001,003	18,000,003

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The Company’s objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company’s activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company’s capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company’s strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

12. OPTION RESERVE

	2008 $	2007 $
Reserves at the beginning of the reporting period	-	-
19,500,002 options issued pursuant to the non-renounceable offer of options	195,000	-
1,000 options exercised during the year	(10)	-
Option Reserve at the end of the financial reporting period	194,990	-

13. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at 30 June 2008, and the interval between 30 June 2008 and the date of this report.

14. SEGMENT INFORMATION

2008
The Company operates predominantly in two geographical segments, being Australia and Russia, and in two business segments, mineral exploration and forestry.

Primary Reporting - Geographical Segments	**Australia**	**Russia**	**Total**
	$	**$**	**$**
Revenues from ordinary activities	215,649	-	215,649
Segment results (loss)	(495,979)	(260,510)	(756,489)
Segment assets	4,617,571	-	4,617,571
Segment liabilities	(81,182)	-	(81,182)
Acquisitions of financial assets and other non-current segment assets	1,417,874	-	1,417,874

Primary Reporting - Business segments	**Exploration**	**Forestry**	**Total**
	$	**$**	**$**
Revenues from ordinary activities	215,649	-	215,649
Segment results (loss)	(495,979)	(260,510)	(756,489)
Segment assets	4,617,571	-	4,617,571
Segment liabilities	(81,182)	-	(81,182)
Acquisitions of financial assets and other non-current segment assets	1,417,874	-	1,417,874

2007
The Company operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	2008	2007
15. CASH FLOW INFORMATION	**$**	**$**
(i) Cash is made up of the following:-		
Cash at bank	2,699,284	309,639
(ii) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(756,489)	(5,141)
Non-cash flows in loss for the year		
- Fair value gain on financial assets	(120,731)	-
- Provision for diminution of investment	359,526	-
Cash flows not in loss for the year		
- Payments for exploration and evaluation	(263,390)	(500)
- Payments for forestry evaluation	(260,510)	-
- Exploration costs written-off	220,150	-
- Forestry costs written-off	260,510	-
Changes in assets and liabilities		
- Decrease/(Increase) in receivables	(37,847)	(148)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	5,329	7,175
Net cash inflow/(outflow) from Operating Activities	(593,452)	1,386

16. EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting date, the Australia 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 $570,000.

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.

17. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable then those available to other parties unless otherwise stated.

Transactions with related entities

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in the Directors Report.

These transactions were on commercial terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

18. KEY MANAGEMENT PERSONNEL COMPENSATION

a) Names and positions held of company key management personnel in office at any time during the financial year are:

Mr Kent Hunter	Managing Director	
Mr Stephen Brockhurst	Non-Executive Director	
Mr Terry Gardiner	Non-Executive Director	(appointed 8 January 2008)
Mr Matthew Pedley	Non-Executive Director	(resigned 8 January 2008)

The Company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 9 to 11.

b) Options and Rights Holdings

Number of Options Held by Key Management Personnel	**Balance 1 July 07**	**Granted as remuneration**	**Options Exercised**	**Net Change - Other**	**Balance 30 June 08**
Kent Hunter	-	-	-	504,000	504,000
Stephen Brockhurst	-	-	-	125,000	125,000
Terry Gardiner	-	-	-	427,500	427,500
Matthew Pedley	-	-	-	125,000	125,000
	-	-	-	1,181,500	1,181,500

During and since the end of financial year, no options were issued to Directors and executives as part of remuneration.
Options in which Directors have a relevant interest are listed options pursuant to the non-renounceable issue of options to shareholders.

c) Shareholdings

Number of Shares held by Key Management Personnel	**Balance 1 July 07**	**Granted as remuneration**	**Received on exercise**	**Net Change - Other ***	**Balance 30 June 08**
Kent Hunter	1,000,001	-	-	108,000	1,108,001
Stephen Brockhurst	250,001	-	-	-	250,001
Terry Gardiner	250,000	-	-	415,000	665,000
Matthew Pedley	250,001	-	-	-	250,001
	1,750,003	-	-	523,000	2,273,003

* Net Change Other refers to shares purchased on market during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

18. KEY MANAGEMENT PERSONNEL COMPENSATION (con't)

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Economic Entity and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Economic Entity may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

19. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed companies.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

Interest rate and liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (con't)

Interest rate risk

The following table details the Company's exposure to interest rate risk as at the reporting date:

2008

Financial Instrument	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	2,699,284	-	-	-	-	2,699,284	7.10%
Receivables – other	-	-	-	-	31,752	31,752	n/a
Available for sale financial assets	-	-	-	-	1,417,874	1,417,874	n/a
Total financial assets	2,699,284	-	-	-	1,449,626	4,148,910	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	11,350	11,350	n/a
Total financial liabilities	-	-	-	-	11,350	11,350	

2007

Financial Instrument	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	309,639	-	-	-	-	309,639	3.60%
Receivables – other	-	-	-	-	148	148	n/a
Total financial assets	309,639	-	-	-	148	309,787	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	19,801	19,801	n/a
Total financial liabilities	-	-	-	-	19,801	19,801	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (con't)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or be discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Market risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as either available-for-sale or at fair value through profit and loss.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transactions costs expected to be incurred.

Interest rate sensitivity analysis

At 30 June 2008, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

		2008 ($)
CHANGE IN LOSS	**Change**	
Increase in interest rate by 2%	+ 53,986	(702,503)
Decrease in interest rate by 2%	- 53,986	(810,475)
CHANGE IN EQUITY	**Change**	
Increase in interest rate by 2%	+ 53,986	4,590,285
Decrease in interest rate by 2%	- 53,986	4,482,493

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (con't)

At 30 June 2007, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

2007 ($)

CHANGE IN LOSS	Change	
Increase in interest rate by 2%	+ 6,193	1,052
Decrease in interest rate by 2%	- 6,193	(11,334)

CHANGE IN EQUITY	Change	
Increase in interest rate by 2%	+ 6,193	309,305
Decrease in interest rate by 2%	- 6,193	296,919

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

20. COMMITMENTS

a) Exploration

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirement up until expiry of leases. These obligations, where are subject to renegotiation on expiry of the leases, are not provided for in the financial statements and are payable:

	2008 $	2007 $
Not longer than one year	105,000	105,000
Longer than one year, but no longer than five years	185,260	290,548
	290,260	395,548

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

21. CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are no yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5	Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6	Exploration for and Evaluation of Mineral			
	AASB 107	Cash Flow Statements			
	AASB 119	Employee Benefits			
	AASB 127	Consolidated and Separate Financial Statements			
	AASB 134	Interim Financial Reporting			
	AASB 136	Impairment of Assets			
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 39, are in accordance with the Corporations Act 2001:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company.

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

    (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

    (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (c) the financial statements and notes for the financial year give a true and fair view.

3. 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.

Kent Hunter
Managing Director

Perth,
18 September 2008

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 16 September 2008 was as follows:

	Class of Equity Securities	
Number Held as at 18 August 2008	**Fully Paid Ordinary Shares**	**$0.25 31 August 2009 Options**
1-1,000	6	7
1,001 - 5,000	58	99
5,001 – 10,000	93	104
10,001 - 100,000	313	177
100,001 and over	57	32
TOTALS	**527**	**419**

Holders of less than a marketable parcel:
- fully paid shares Nil

Substantial Shareholders

The company has the following no substantial shareholders listed in the Company's register as at 16 September 2008.

Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	**Number**	**Date Ceasing To Be Restricted Securities**
Fully Paid Ordinary Shares	7,800,000	16 August 2009
Partly Paid Shares Paid to $0.0001	7,500,000	16 August 2009

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders are as follows:

Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
A22 Pty Ltd	1,245,300	3.953
Yeldep Pty Ltd	1,200,000	3,809
Cazaly Resources Ltd	1,000,000	3.175
Kouta Bay Pty Limited <The Houndy Family A/C>	1,000,000	3.175
Ferrox Limited	1,000,000	3.175
Infeon Limited	750,000	2.381
Marr Resources Holdings Limited	750,000	2.381
Lake Springs Pty Ltd <The Lake Springs S/F A/C>	640,000	2.032
Jocaph Pty Limited	625,000	1.984
Plasma (WA) Pty Ltd <The Rant Unit A/C>	550,000	1.746
Redmet Limited	500,000	1.587
Kakula Limited	500,000	1.587
Sept Rouges Limited	500,000	1.587
Jocaph Pty Ltd <Jocaph Super Fund>	300,000	0.952
John Gallucio	300,000	0.952
Mr John Rothan Bartle & Mr Chuck Rothan Bartle <Bartle Super Fund A/C>	271,000	0.860
Lot 88 Pty Limited <The Eighty Eight Unit A/C>	270,000	0.857
Tilpa Pty Ltd <Super Fund A/C>	254,000	0.806
Stephen Brockhurst <SM Brockhurst Family A/C>	250,000	0.794
Matelpe Pty Limited <The Mateple A/C>	250,000	0.794
Total	**12,155,300**	**38.587**

Twenty Largest Optionholders

The names of the twenty largest holders of $0.25 31 August 2009 options are as follows:

Name	**Number of Options Held**	**% Held of Issued Capital**
Ferrox Limited	2,000,000	10.257
Redmet Limited	1,000,000	5.128
Kakula Limited	1,000,000	5.128
Sept Rouges Limited	1,000,000	5.128
A22 Pty Ltd	622,650	3.193
Yeldep Pty Ltd	600,000	3.077
Emespe Pty Ltd	581,003	2.980
Kouta Bay Pty Limited <The Houndy Family A/C>	550,000	2.821
Cazaly Resources Ltd	500,000	2.564
Infeon Limited	375,000	1.923
Marr Resources Holdings Limited	375,000	1.923
Lake Springs Pty Ltd <The Lake Springs S/F A/C>	320,000	1.641
Jocaph Pty Limited	312,500	1.603
Plasma (WA) Pty Ltd <The Rant Unit A/C>	275,000	1.410
Goldflex Corporation Pty Ltd <The Nearco A/C>	224,000	1.149
Gryphon Asset Management Pty Ltd <Gryphon Investment A/C>	210,000	1.077
Mr Terry James Gardiner	191,000	0.980
Always Holdings Pty Ltd	175,000	0.897
Yeldep Pty Ltd <The Yeldep A/C>	153,650	0.788
Jocaph Pty Ltd <Jocaph Super Fund>	150,000	0.769
Total	**10,739,803**	**55.079**

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

The Company acknowledges the requirement to report against the Revised Principles released 2 August 2007 in the annual report for the financial year ended 30 June 2009 and has elected not to make an early transition to the Revised Principles for the 2008 annual report.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/supervision/governance/index.htm .

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4
Recommendation 9.5 Reporting on Principle 9	2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr S Brockhurst and Mr T Gardiner are Non-Executive Directors and are independent directors as they meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr K Hunter is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.

- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 15 May 2007 and was be implemented for the financial period ended 30 June 2008. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.3 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 18 September 2008 Mr K Hunter (Managing Director) and Ms E Hanrahan (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy[i]

Directors' Remuneration was approved by resolution of the Board on 9 March 2007.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Company Code Of Conduct

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

SCHEDULE OF MINERAL TENEMENTS
AS AT 8 SEPTEMBER 2008

Project	***Tenement***		***Interest held by Red Emperor Resources NL***
Jillewarra	EL51/1091		Nil
Jillewarra	EL51/1114		Nil
Jillewarra	PLA51/2565		Nil

P Prospecting Licence
E Exploration Licence
M Mining Licence