## ASX ANNOUNCEMENT

## RUSSIAN TIMBER LICENSE UPDATE
## 28 OCTOBER 2008

- **Due diligence completed on Russian licence to harvest a timber resource (Russian Timber License)**

- **Preliminary independent report**

- **Terms of Agreement to Acquire Russian Timber License**

- **Priority Project Status**

**DUE DILIGENCE COMPLETED - RUSSIAN TIMBER LICENSE**

Red Emperor Resources NL (**Red Emperor** or **the Company**) is pleased to advise that it has completed its due diligence on the proposed acquisition of the Russian Timber License (**License**) in the Russian province of Chita, Siberia, and remains confident that it will proceed to the acquisition of the License. It is expected that the Licence will have an annual harvesting allowance of up to $570,000m^3$ per annum. Sawn timber is presently selling for in excess of US$200 (A$300) per cubic metre.

The directors are confident the project will produce substantial cash flows, commencing in the near term. This will assist the Company to continue to develop its already strong relationships with the regional authorities and to thereby be in an excellent position to exploit a number of the many opportunities within Russia and particularly the Chita province. It is the Company's intention to continue to pursue its objective of building shareholder wealth through the strategic acquisition of prospective mineral and other projects within Australia and other countries, particularly Russia to complement its existing mineral exploration project.

**PRELIMINARY INDEPENDENT REPORT RECEIVED**

Poyry Forest Industry Consulting has completed a preliminary independent expert's report on the License. The Poyry Group (of which Poyry Forest Industry Consulting is a division) is a globally operating consulting and engineering firm with some 7,300 experts in 45 countries and operates within three core areas of expertise: forest industry, energy and infrastructure and environment. The Company is pleased to advise that the report supports the potential value of the License with a focus on near term cash flows.

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**REVISED TERMS OF RUSSIAN TIMBER LICENSE ACQUISITION**

The Company is pleased to advise that it has reached agreement with the Russian vendors of the License ("Vendors") on terms pursuant to which it will acquire a 100% interest in the License.

Under the proposed revised terms, Red Emperor will acquire a 100% interest in the License from the Vendor's in consideration for which the Vendors will receive;

- EUR5 million; and
- a royalty of US$5 per cubic metre of timber sold, or 5% of revenues, whichever is the greater.

Red Emperor will also meet all costs associated with the acquisition.

The acquisition is subject to the Company being able to raise additional capital. The Company remains confident it can raise the additional capital required and that the acquisition will proceed.

**PRIORITY PROJECT STATUS**

The Chita region in southern Siberia, Russia, is in early stages of development as Russia is emerging once again as a world economic force. The local governing body is very keen to advance a variety of local projects, including this forest industry opportunity, through the introduction of foreign investment. The Local authorities have stated that the forest project presented to Red Emperor is likely to be classified as a "Priority Project" allowing financial and other forms of government assistance to be provided to Red Emperor. A high level of emphasis is to be placed on downstream processing, to add value within the province and create employment and wealth inside Russia.

It is Red Emperor's aim to establish a processing plant and local infrastructure with the assistance of this priority project status with a large focus on social responsibility, community participation and local wealth and standard of living improvement.

**PROPOSED CAPITAL RAISING**

To progress the acquisition of the Russian Timber Project, the Company will endeavour to raise additional funds within the next three to four months. The Company will continually advise the market of the progress of its potential acquisition.

Yours sincerely

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Managing Director

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