

16 December 2008

Company Announcements Office
ASX Limited
Electronic Lodgement System

ASX ANNOUNCEMENT

SIBERIAN POTASH ACQUISITION AGREEMENT FINALISED

- Agreement executed to acquire Siberian potash project
- Substantial potash resource (under Russian resource classification system)

ACQUISITION AGREEMENT

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

The consideration for acquiring the Project is US\$9.0 million in cash and 6 million fully paid ordinary shares in the capital of the Company (**Shares**) plus a further 6 million Shares for every 50 million tonnes of JORC compliant potash resource, commencing from 100 million tonnes and up to a maximum of 500 million tonnes (with such resource calculated up until the completion of a bankable feasibility study).

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

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

The Company will look to raise at least A\$25m in the first quarter of next year to fund the acquisition, to meet costs associated with undertaking a scoping study and related work on the Project and for general working capital. Despite the present financial climate, the Company has received strong investor interest with regards to participating in this financing.

SIBERIAN POTASH PROJECT

Red Emperor engaged one of the world's leading mining consultancies to review data relating to the Project as part of the technical due diligence it undertook prior to agreeing to acquire the Project. This review determined that there was a substantial potash resource, calculated under the Russian system of reserve/resource classification (C1+C2+P1). The Company will provide further information regarding the Project and the resource upon the vendor demonstrating clear title to the Project.

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