

31 July 2008  
ASX Announcement

## **Quarterly Activities Review For the period ending 30 June 2008**

### **RUSSIAN TIMBER PROJECT**

#### **RUSSIAN JOINT VENTURE FINALISED JUNE 2008**

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**).

The Directors of Red Emperor recently travelled to Chita, a province in Siberia, southern Russia in relation to the opportunity to acquire the Project. It is expected that the Project will have an annual harvesting allowance of well in excess of 500,000m<sup>3</sup> per annum (**License**). Sawn timber is presently selling for in excess of US\$200 per cubic metre.

The Directors 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. The outcome of the meeting was very positive, with the governing body very keen for investment and development within their province.

#### **POYRY ENGAGED FOR EXPERTS REPORT AND ASSIST WITH DUE DILIGENCE**

The Directors met with independent forestry consultants, Poyry Forest Industry Consulting Oy, who has been engaged by Red Emperor to prepare a scoping study for submission to the provincial forestry department. The Poyry Group is 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.

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 next 3 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 and 30 million fully paid shares.

## **CORPORATE OBJECTIVES**

Should the Company acquire the Project, Red Emperor's strategy is to become a leading 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<sup>3</sup> by 2012; and
- developing downstream production capability so Red Emperor is selling semi-finished timber products rather than raw logs.

## **EXPLORATION UPDATE**

### **JILLEWARRA PROJECT**

Exploration during the quarter was hampered by continued access restrictions on the Project. The differentiated sill is prospective for copper, nickel and other base metals and is a priority for future exploration.

Access is being sought to conduct drill programs in parts of the project with limited or no outcrop. A work program has been submitted to the Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation (YMBBMAC) 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.

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.

## **OTHER PROJECTS WITH RUSSIAN PARTNERS**

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

The Company looks forward to updating the market on these exploration projects in the future.

Yours faithfully



Kent Hunter  
Managing Director - Red Emperor Resources NL