

31 October 2008
ASX Announcement

Quarterly Activities Review For the period ending 30 September 2008

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**).

Due Diligence Completed – Russian Timber Project

The Company 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 License will have an annual harvesting allowance of up to 570,000m³ per annum. Sawn timber is presently selling for in excess of US\$200 (A\$300) per cubic metre.

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

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.

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.

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.

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.

CORPORATE OBJECTIVES

Should the Company acquire the Project, Red Emperor's strategy, in conjunction with its continued mineral exploration focus, 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 m3 by 2012; and
- developing downstream production capability so Red Emperor is selling semi-finished timber products rather than raw logs.

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.

EXPLORATION UPDATE

JILLEWARRA PROJECT

Exploration at the Jillewarra Project increased during the September Quarter with an Aboriginal Heritage Survey and an Airborne Electromagnetic (AEM) Survey completed.

An Aboriginal Heritage survey was completed over the three prospect areas, E51/1091, E51/1114 and P51/2565, seeking clearance for drilling operations. A report on the survey is expected early in the December quarter.

An AEM survey was also conducted during the quarter over E51/1114 and P51/2565. This prospect is prospective for gold and massive base metal mineralisation. Although some quite extensive exploration programs have taken place in the past, the effectiveness of the work is debatable, and in the case of base metal exploration, modern AEM techniques provide a more powerful exploration tool able to identify massive sulphides at depth beneath considerable cover. Processed data will be received early in the December quarter and used to assist drill targeting.

Other activities scheduled for the December quarter include a modest soil geochemistry and mapping program over selected targets.

Yours faithfully



Kent Hunter
Managing Director - Red Emperor Resources NL