

20 May 2009

Company Announcements Office
ASX Limited
Electronic Lodgement System

SIBERIAN POTASH ACQUISITION AGREEMENT FINALISED

- Amended agreement to acquire Siberian potash project
- Substantial potash resource (under Russian resource classification system)

Acquisition Agreement

The Company is pleased to advise that it has reached agreement to amend the terms pursuant to which it will acquire an 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 is entitled to acquire clear title to the Project. The Company expects that the acquisition of the Project will occur during the third quarter of calendar 2009.

The consideration for acquiring a 50% interest in the Project is US\$4.0 million in cash and 5 million fully paid ordinary shares in the capital of the Company (**Shares**).

The Company retains an option to acquire a further 20% interest in the Project for the consideration of an additional US\$6.0m and the issue of 15% of the issued capital of the Company at any time in the next two years.

The vendors initially retain a 50% interest in the Project subject to the exercise of the Option, whereby the vendor's retained interest will be 30%. The vendor's 30% interest will be free carried through to completion of a bankable feasibility study.

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

An amount of US\$3.0m is payable upon settlement with the balance of US\$1.0m payable within 12 months of the date of settlement. This vendor finance of US\$1.0m will be by way of a convertible note on commercial terms and conditions. The Company will look to raise at least A\$3.0m and up to A\$6.0m on a stand-by basis with funds to be returned to investors should the vendor fail to become entitled to acquire clear title to the Project. The funds will be utilised to fund the acquisition of the Project, 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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