



Red Emperor Resources NL

ACN 124 734 961

Prospectus

For the issue of up to 100 Shares at an issue price of \$0.50 per Share to raise up to \$50.00.

IMPORTANT NOTICE

This Prospectus has also been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.



TABLE OF CONTENTS

| | | |
|----|---|----|
| 1. | SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES..... | 1 |
| 2. | CORPORATE DIRECTORY..... | 5 |
| 3. | DETAILS OF THE OFFER..... | 6 |
| 4. | PURPOSE AND EFFECT OF THE OFFER..... | 10 |
| 5. | RIGHTS AND LIABILITIES ATTACHING TO SHARES..... | 11 |
| 6. | RISK FACTORS..... | 13 |
| 7. | ADDITIONAL INFORMATION..... | 19 |
| 8. | DIRECTORS' AUTHORISATION..... | 26 |
| 9. | DEFINITIONS..... | 27 |



1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 9 May 2012 and was lodged with the ASIC on that date with the consent of all Directors. Neither ASIC nor ASX nor their respective officers takes any responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an Application Form which accompanies this Prospectus.

No action has been taken to permit the offer of Shares under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Timetable and important dates*

| Action | Date |
|---|---------------------------|
| Lodgement of Prospectus with the ASIC and ASX | 9 May 2012 |
| Opening Date | 9 May 2012 |
| Closing Date | 5:00pm WST 10 May 2012 |

*The Company reserves the right to extend the Closing Date or close the Offer early without notice.



RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Risks that investors should consider include (but are not limited to) the following:

| Risk Area | Risks |
|---|---|
| Exploration and Project Development risks | <p>The business of natural gas and oil exploration, and project development involves risks by its very nature. To prosper, it depends on the successful exploration appraisal and development of economic oil and gas reserves. Operations, such as drilling, design and construction of production facilities and pipelines, competent operational and managerial performance and efficient distribution and marketing services are required to be successful. In particular, exploration is a speculative endeavour and operations can be hampered by force majeure circumstances, engineering difficulties, cost overruns and other unforeseen events.</p> <p>The proposed development expenditure of the Company is based on certain assumptions with respect to the method and timing of development and feasibility work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice.</p> <p>A failure to discover an economic reserve, or to successfully produce from such a reserve, may adversely affect the Company's performance and have a resulting effect on the value of the Company's investment in the Puntland Projects and the Georgian Project.</p> |



| Risk Area | Risks |
|---------------------------------|--|
| Sovereign Risk | <p>The Puntland and Georgian Projects involve conducting exploration activities in Puntland and the Republic of Georgia respectively, by the project operator. Any circumstances or event which negatively impacts the development of either country could materially affect the financial performance of the Company.</p> <p>There is no assurance that future political and economic conditions in Puntland or Georgia will not result in the respective Government adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, title, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the ability to develop the either the Puntland Projects or the Georgian Project. It should be noted, however, that both Puntland and Georgia have operated under relatively stable political regimes during the time in which the production sharing agreements for each project have been in place.</p> <p>The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company. The Company has made its investment and strategic decisions based on the information currently available to the Directors, however should there be any material change in the political, economic, legal and social environments in either Puntland or Georgia, the Directors may reassess investment decisions and commitments to assets in Puntland.</p> |
| Oil and Gas Price Volatility | <p>Oil and gas prices affected by numerous factors and events</p> <p>Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas, may have a material adverse effect on the Company's business and therefore the value of the Company's investment in the Puntland Projects and the Georgian Project.</p> |
| Future requirements for capital | <p>There can be no guarantees that the funds raised by this Offer will be sufficient to successfully achieve all of the Company's objectives.</p> <p>The funds raised by the Offer will be used to carry out work on the Company's projects as detailed in this Prospectus. If the Company incurs unexpected costs or</p> |



| Risk Area | Risks |
|--------------------|--|
| | <p>is unable to generate sufficient operating income, further funding may be required.</p> <p>The Company may require additional funding to carry out further exploration, undertake feasibility studies, develop project operations and/or acquire new projects. Any additional financing through share issues may dilute the interests of Shareholdings.</p> |
| Exchange Rate risk | <p>Any revenue received by the Company would likely be in US dollars derived from the sale of gas and a substantial portion of the Company's operating expenses would also be incurred in US dollars. Gas is sold in the US market and around the world based principally on a US dollar price. Furthermore, the income and expenditure accounts will be prepared in Australian dollars (AUD). Therefore Australian dollar reported revenue will be directly impacted by movements in the US dollar gas price and the USD/AUD exchange rates. Movements in the USD/AUD exchange rates may adversely or beneficially affect the Company's results or operations and cash flows.</p> |

For further information in relation to the risk factors of the Company please refer to Section 6 of this Prospectus.



2. CORPORATE DIRECTORY

| | |
|--|---|
| <p>Directors</p> <p>Mr Greg Bandy Mr Jason Bontempo Mr Stephen Brockhurst</p> <p>Joint Company Secretary</p> <p>Ms Rebecca Sandford Ms Shannon Robinson</p> <p>Registered Office</p> <p>Ground Floor 1 Havelock Street West Perth WA 6005</p> <p>Telephone: +61 8 9488 5220 Facsimile: +61 8 9324 2400</p> <p>Website:</p> <p>www.redemperresources.com</p> | <p>Share Registry*</p> <p>Computershare Investor Services Level 2, 45 St Georges Terrace Perth WA 6000</p> <p>Telephone: 1300 787 272 Facsimile: +61 8 9323 2033</p> <p>Solicitors to the Company</p> <p>Steinepreis Paganin Level 4, Next Building 16 Milligan Street PERTH WA 6000</p> <p>ASX / AIM Code:</p> <p>RMP</p> |
|--|---|

* These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.



3. DETAILS OF THE OFFER

3.1 Offer

Pursuant to the Offer, the Company invites applications for up to 100 Shares at an issue price of \$0.50 per Share to raise up to \$50.00.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 5 for further information regarding the rights and liabilities attaching to the Shares.

3.2 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

3.3 Opening and Closing Dates

The Company will accept Application Forms until 5.00pm WST on 10 May 2012 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (**Closing Date**).

3.4 Risks of the Offer

An investment in Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are in Section 6.

3.5 Minimum subscription

There is no minimum subscription for the Offer. If the Offer is fully subscribed, the Offer will raise approximately \$50.00 (before costs of the Offer). The Company will proceed to allot the Shares if a lesser amount is raised and irrespective of the amount raised. The Company intends to allot the Shares progressively as Applications are received and in any event, will allot all Shares as soon as possible after the Closing Date.

There is no provision for oversubscriptions.

3.6 Applications

If you wish to subscribe for Shares pursuant to the Offer, you should complete and return the Application Form, which will be provided with a copy of this Prospectus by the Company at the Board's discretion, in accordance with the instructions in the Application Form. Completed Application Forms and Application Monies must be received by the Company prior to 5.00pm (WST) on the Closing Date. Cheques must be made payable to "Red Emperor Resources NL" and crossed "Not Negotiable". All cheques must be in Australian currency.



Application Forms should be delivered to:

Posted to:

Red Emperor Resources NL
PO Box 1440
West Perth WA 6872
Australia

Delivered to:

Red Emperor Resources NL
Ground Floor
1 Havelock Street
West Perth WA 6005
Australia

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Securities accepted by the Company. The Application Form does not need to be signed to be a binding Acceptance of Securities.

If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the Acceptance as valid, and how to construe, amend or complete the Application Form is final.

Applicants should note the Directors may close the Offer early without notice or extend the Closing Date in their sole discretion.

3.7 ASX quotation of Shares under the Offer

Application will be made to the ASX no later than 7 days after the date of this Prospectus for Official Quotation of the Shares issued under the Offer. If permission is not granted by ASX for the Official Quotation of the Shares offered by this Prospectus within 3 months after the date of this Prospectus, (or such period as varied by the ASIC), the Company will repay, as soon as practicable, without interest, all application monies received pursuant to the Offer within the time prescribed under the Corporations Act.

The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.8 Allotment

The Directors will determine the allottees of all the Shares the subject of the Offer in their sole discretion. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for. Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date.

Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed as soon as practicable after their issue.



3.9 Applicants outside Australia

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law. The Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.10 Not underwritten

The Offer is not underwritten.

3.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the



ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.13 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary at the Company's office on +61 8 9488 5220.



4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Financial effect

After expenses of the Offer of approximately \$25,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$25,000) will be met from the Company's existing cash reserves. The Offer will have an effect on the Company's financial position, being receipt of funds of \$50.00 less costs of preparing the Prospectus of \$25,000.

4.3 Effect on Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Shares offered under the Prospectus are issued, is set out below.

| | Shares | Options |
|--|--------------------------------|-------------------------------|
| Securities currently on issue | 258,484,221 ¹ | 20,713,855 ² |
| Securities offered pursuant to the Offer | 100 | - |
| Total securities on issue after completion of the Offer³ | 258,484,321¹ | 20,713,855² |

Notes:

1. This does not include the 7,500,000 partly paid shares currently on issue (which were issued paid up to \$0.01).
2. This includes the following Options:
 - a. 7,750,000 unlisted options, exercisable at \$0.30 per Option on or before 30 June 2012;
 - b. 1,476,162 unlisted options, exercisable at £0.305 per Option on or before 21 July 2013;
 - c. 594,324 unlisted options, exercisable at \$0.17 per Option on or before 30 December 2014;
 - d. 5,920,000 unlisted options, exercisable at \$0.265 per Option on or before 28 March 2015;
 - e. 112,966 unlisted options, exercisable at £0.18 per Option on or before 3 April 2015; and
 - f. 3,690,403 unlisted options, exercisable at £0.305 per Option on or before 3 October 2014;
 - g. 1,170,000 unlisted options, exercisable at £0.32 per Option on or before 14 May 2015 scheduled to be issued on 14 May 2012.

4.4 Details of substantial holders

Based on publicly available information as at 8 May 2012, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below. These shareholders are unrelated to the Company.

| Shareholder | Shares | % |
|---|------------|-------|
| Barclayshare Nominees Limited | 22,925,489 | 8.87% |
| L R Nominees Limited | 16,046,278 | 6.21% |
| TD Direct Investing Nominees (Europe) Limited | 15,679,562 | 4.38% |



5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

5.2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

5.3 Dividend Rights

Subject to the rights of persons (if any) entitled to shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

5.4 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may



determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

5.5 Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

5.6 Future Increase in Capital

The allotment and issue of any new shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue shares as they shall, in their absolute discretion, determine.

5.7 Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.



6. RISK FACTORS

6.1 Introduction

THE RISKS CONTAINED BOTH IN THE SUMMARY INFORMATION SECTION AND THIS SECTION 6 SHOULD BE CONSIDERED CAREFULLY BY POTENTIAL INVESTORS.

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business.

Whilst the Directors recommend the Offer, there are numerous risk factors involved in the Company's operations. The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Shares.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's activities and its involvement in the oil and gas industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

Based on the information available, a non-exhaustive list of risk factors which may affect the Company's financial position, prospects and the price of its listed securities include the following.

6.2 Key Risks

The key risks (as set out on page 2 of this Prospectus) are as follows:

- Exploration and Project Development risks
- Sovereign Risk
- Oil and Gas Price Volatility
- Future requirements for capital
- Exchange Rate risk

INVESTORS SHOULD NOTE THAT DETAIL RELATING TO THESE RISK FACTORS HAS NOT BEEN REPEATED IN THIS SECTION.

SPECIFIC RISKS

6.3 Counterparty and Contractual Risk

Various contracts the Company (and its subsidiaries) are a party to are governed by jurisdictions outside Australia. Legal action instituted in Australia or overseas can be costly. There is a risk that the Company may not be able to seek the legal redress that it could expect under Australian law; and generally there can be no guarantee that a legal remedy will ultimately be granted on the appropriate terms.



INDUSTRY RISKS

6.4 Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable reserves;
- (b) access to adequate capital for project development;
- (c) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (d) securing and maintaining title to interests;
- (e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (f) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.



6.5 Price Volatility

Substantially all of the Company's revenues and cash flows (should the Company's projects enter production) will be derived from the sale of oil and/or gas. Therefore, the financial performance of the Company would be exposed to fluctuations in the gas price. Historically, the gas price has fluctuated widely and has experienced periods of significant decline. Prices for oil and/or gas are affected by numerous factors and events that are beyond the control of the Company. These factors and events include general economic activity, world demand, forward selling activity as well as general global economic conditions and political trends.

If oil or gas prices should fall below or remain below the Company's cost of production for any sustained period due to these or other factors and events, the Company's exploration and proposed production could be delayed or even abandoned. A delay in exploration or production or the abandonment of one or more of the project licences may require the Company to write down its reserves and resources and may have a material adverse effect on the Company's production, earnings and financial position.

6.6 Joint Venture Parties, Agents and Contractors

The Directors are unable to predict the risk of financial failure or default by a participant in any earn-in agreement or joint venture to which the Company is currently a party to, may become a party to, or the insolvency or managerial failure by which any of the contractors to be used in the future by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers to be used in the future by the Company for any activity.

6.7 Title risk

Interests in licences in Puntland and the Republic of Georgia are governed by the respective State and Federal legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the project operator could lose title to or its interest in the leases if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

6.8 Regulatory Risk

The project operator's proposed drilling operations and exploration and development activities are subject to extensive laws and regulations relating to numerous matters, including various resource licence consent conditions pertaining to environmental compliance and rehabilitation, taxation, social and labour relations, health and worker safety, waste disposal, water use, protection of the environment, successful land claims and heritage matters, protection of endangered and protected species and other matters. The project operator regularly requires permits from regulatory authorities to authorise the operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time-consuming process and there is a risk that the project operator may not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the project operator from proceeding with the development of a project or the operation or further development of a reserve. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could



result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of activities or forfeiture of resource tenements.

6.9 Estimates of Oil and Gas Resources

The oil and/or gas reserve estimates for the Company's interests in assets are estimates only and no assurance can be given that any particular yield of oil or gas from reserves will in fact be realised or that an identified reserve will ever qualify as a commercially developable oil or gas resource that can be economically developed.

The estimating of oil and gas reserves is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual reserves encountered and the economic viability of developing a reserve may differ materially from the Company's estimates. The exploration of oil and gas is speculative in nature and is frequently unsuccessful. The Company may be unable to successfully discover and exploit new reserves to replace those they plan to develop to ensure the ongoing viability of the Company's operations.

Estimated oil and/or gas reserves may have to be recalculated based on changes in oil or gas prices, respectively, further exploration of development activity or actual production experience. This could have a material adverse impact on the estimates of the volume, estimated yield or other important factors that influence reserve or resource estimates. Market price fluctuations for oil or gas, increased production costs or reduced yields, or other factors may render the reserves of the Company uneconomical or unprofitable to develop at a particular site or sites.

GENERAL RISKS

6.10 Insurance

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company and the project operator will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

6.11 Environmental, Health and Safety Matters

The exploration and future production operations will be subject to extensive health and safety and environmental laws and regulations which could impose significant costs and burdens on (the extent of which cannot be predicted). Financial provisions for the estimated costs of rehabilitating disturbances caused by exploration and production activities will be made by the Company over the life of the operation. Applicable laws and regulations provide for penalties and other liabilities for violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety and environmental laws and regulations and even permanently in the event of extreme breaches.

Oil and gas exploration and production operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of oil and gas exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. The Company's proposed operations have been



designed to comply with known or reasonably predictable conditions, however, it is not possible to predict all prevailing conditions that may affect the Company's operations at all times in the future. Events such as unpredictable rainfall may impact on the Company's ongoing compliance with environmental legislations, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

6.12 Economic Risks

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices. The Company's operating costs, possible future revenues and future profitability can be affected by these factors, which are beyond the control of the Company.

6.13 Potential Acquisitions

As part of its business strategy, the Company intends to make acquisitions of, or significant investments in, complementary companies or projects. Any such future transactions would be accompanied by the risks commonly encountered in making such acquisitions.

6.14 Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

6.15 Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.



6.16 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Company's securities.



7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the securities in the Company.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to the ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of the ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify the ASX of information about specified events or matters as they arise for the purpose of the ASX making that information available to the stock market conducted by the ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to the ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after



the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with the ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

| Date | Description of Announcement |
|------------|--|
| 09/05/2012 | Georgian Update |
| 01/05/2012 | Quarterly Activities and Cashflow Reports |
| 26/04/2012 | Appendix 3B |
| 26/04/2012 | Raises GBP 6.24m and Appoints Fox-Davies as Joint Broker |
| 26/04/2012 | Trading Halt |
| 19/04/2012 | Market Update |
| 12/04/2012 | Puntland Drilling Update |
| 12/04/2012 | Appendix 3B |
| 10/04/2012 | Appendix 3B |
| 28/03/2012 | Appendix 3B |
| 28/03/2012 | Results of Meeting |
| 21/03/2012 | Puntland Update |
| 16/03/2012 | Appendix 3B |
| 16/03/2012 | Half Yearly Accounts |
| 09/03/2012 | Appendix 3B |
| 08/03/2012 | Puntland Drilling Update |
| 05/03/2012 | Capital Raising Update |
| 02/03/2012 | Appendix 3B |
| 28/02/2012 | Notice of General Meeting/Proxy Form |
| 27/02/2012 | Capital Raising |
| 27/02/2012 | Trading Halt |
| 23/02/2012 | Operations Update |
| 01/02/2012 | Quarterly Activities and Cashflow Report |
| 23/01/2012 | Georgia Update - Site Construction Underway |
| 17/01/2012 | Spudding of Historical Puntland Exploration Well |
| 17/01/2012 | Trading Halt |
| 11/01/2012 | Response to ASX Query |
| 09/01/2012 | Appendix 3B |
| 03/01/2012 | Prospectus |



| Date | Description of Announcement |
|------------|--|
| 28/12/2011 | Appendix 3B |
| 16/12/2011 | Issue of Equity |
| 16/12/2011 | Request for Trading Halt |
| 12/12/2011 | Georgian Project Update |
| 28/11/2011 | Project Update |
| 21/11/2011 | Appointment of Joint Company Secretary |
| 18/11/2011 | Georgian Update |
| 14/11/2011 | Results of Meeting |
| 31/10/2011 | Georgian Drilling Update |
| 26/10/2011 | Quarterly Activities and Cashflow Report |
| 11/10/2011 | Georgian Drilling Update |
| 06/10/2011 | Notice of Annual General Meeting |
| 30/09/2011 | Annual Report to shareholders |

The ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at the ASX during normal office hours.

The announcements are also available through the Company's website www.redemperresources.com.

7.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.



Remuneration

The Constitution provides that the remuneration of Directors will be not more than the aggregate fixed sum initially set by the Constitution and subsequently varied by ordinary resolution of Shareholders in general meeting.

In addition, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Company paid to the Directors a total of \$174,400 the year ended 30 June 2010 and \$150,439 for the year ended 30 June 2011. These amounts are inclusive of salary, superannuation and associated benefits.

The total remuneration paid to each of the Directors in the financial year ended 30 June 2011 and the year ended 30 June 2010 is set out in the table below.

| Director | Remuneration | |
|---|--|--|
| | Financial Year Ended 30 June 2011 | Financial Year Ended 30 June 2010 |
| Mr Greg Bandy ¹ | \$86,402 | - |
| Mr Jason Bontempo ² | \$14,987 | - |
| Mr Stephen Brockhurst | \$32,700 | \$32,700 |
| Mr Kent Hunter ³ | \$13,625 | \$109,000 |
| Mr Terry Gardiner ⁴ | \$2,725 | \$32,700 |
| 1. Appointed on 27 July 2010. 2. Appointed on 24 January 2011. 3. Resigned as a director on 24 January 2011. 4. Resigned as a director on 1 August 2010. | | |

The total remuneration paid to the Directors for the current financial year to date is \$261,600 (inclusive of salary, superannuation and associated benefits). Executive director fees for Mr Bandy were increased to \$240,000 per annum effective 1 May 2012.

Security holdings

Directors are not required under the Constitution to hold any Shares, however, Directors' relevant interests in securities of the Company at the date of this Prospectus are set out in the table below.

| Director | Shares | Options |
|---|---------------|------------------------|
| Mr Greg Bandy | - | 3,000,000 ¹ |
| Mr Jason Bontempo | - | 1,000,000 ¹ |
| Mr Stephen Brockhurst | 250,001 | 500,000 ¹ |
| 1. Unlisted options (\$0.30; 30 June 2012). | | |



7.3 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

The Company has engaged Komodo Capital to act as corporate advisors for the Company in relation to the Prospectus. Komodo Capital will be paid approximately \$15,000 (excluding GST) for services in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Komodo Capital has not been paid any fees for advisory services provided to the Company.

Steinepreis Paganin acts as solicitors to the Company. Steinepreis Paganin will be paid approximately \$5,000 (excluding GST) for services in relation to this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$83,158.50 (excluding GST) for legal services provided to the Company.

7.4 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.



Komodo Capital has given its written consent to being named as corporate advisor to the Company in this Prospectus. Komodo Capital has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

7.5 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.6 Expenses of Offer

In the event that the Offer is fully subscribed, the total expenses of the Offer are estimated to be approximately \$25,000 (excluding GST) and are expected to be applied towards the items set out in the table below:

| | \$ |
|---------------|---------------|
| ASIC fees | 2,137 |
| ASX fees | 1,650 |
| Advisor fees | 15,000 |
| Legal fees | 5,000 |
| Miscellaneous | 1,213 |
| Total | 25,000 |

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on the ASX.

The highest, lowest and last market sale prices of the Shares on the ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | | |
|---------|---|---------|
| Highest | 21 March 2012 | \$0.765 |
| Lowest | 27 February 2012; 24 February 2012; 6 February 2012 | \$0.280 |
| Last | 8 May 2012 | \$0.485 |

7.8 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone



the Company on +61 8 9488 5220 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.redemperresources.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.



8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

For and on behalf of

Greg Bandy
Director



9. DEFINITIONS

\$ means Australian dollars.

£ means Great British pounds (sterling).

Applicant means a party who applies for Shares pursuant to the Offer.

Application Form means an application form in respect of the Offer either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Closing Date means the date set out in Section 1 of this Prospectus (unless extended or closed earlier).

Company means Red Emperor Resources NL (ACN 124 734 961).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company at the date of this Prospectus.

Offer means the offer pursuant to the Prospectus of 100 Shares at an issue price of \$0.50 per Share to raise \$50.00.

Official Quotation means official quotation on the ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.