



ACN 124 734 961

Annual Report

For the year ended 30 June 2009

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COMPANY DIRECTORY

MANAGING DIRECTOR

Kent Hunter

NON-EXECUTIVE DIRECTOR

Stephen Brockhurst

Terry Gardiner

COMPANY SECRETARY

Elizabeth Hanrahan

REGISTERED OFFICE

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SUBIACO WA 6008

AUDITORS

Bentleys
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WEST PERTH WA 6005

SHARE REGISTRAR

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NEDLANDS WA 6009
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STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: RMP

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2009.

1. DETAILS OF DIRECTORS AND OFFICERS

Directors holding office during all of the financial year and up to the date of this report unless otherwise stated are:

Kent Hunter	Managing Director	
Qualifications	BBus, CA	
Experience	Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 exploration companies on ASX in the past 8 years.. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a director of Cazaly Resources Limited and Cauldron Energy Limited and is company secretary of two other ASX Listed entities.	
Directorships of listed companies held within the last 3 years	Cauldron Energy Limited Cazaly Resources Limited Gryphon Minerals Limited Venture Minerals Limited Elixir Petroleum Limited	November 2002 to present August 2003 to present January 2004 to 5 November 2008 May 2006 to 18 July 2008 March 2004 to 12 November 2007
Interest in Shares	1,108,001 ordinary fully paid shares	
Stephen Brockhurst	Director	
Qualifications	BCom	
Experience	Stephen is an Accountant with 8 years' corporate and company secretarial experience. He has been involved in the listing of over twenty junior gold and mineral exploration companies on ASX in the past 6 years with capital raisings exceeding \$100 million. He has experience in capital raisings, ASX compliance and regulatory requirements.	
	Stephen is currently also a Director of Stirling Minerals Limited.	
Directorships of listed companies held within the last 3 years	Stirling Minerals Limited Blackham Resources Limited Bannerman Resources Limited	April 2009 to present May 2006 to 16 December 2008 February 2005 to June 2007
Interest in Shares	250,001 ordinary fully paid shares	

DIRECTORS REPORT (Continued)

Terry Gardiner	Director
Qualifications	Diploma of Financial Services (Financial Planning)
Experience	Mr Gardiner holds a Diploma in Financial Services and is an Executive Director of Barclay Wells Limited, a boutique Perth broking firm. Mr Gardiner has extensive business experience ranging from owning and operating a number of private businesses, funds management administration, entertainment and hospitality services, property investment and share and derivatives trading. Mr Gardiner has experience in capital raisings and support and promotion in the junior mining sector and also extensive experience in discretionary funds management for sophisticated and private investors.
Directorships of listed companies held within the last 3 years	Nil
Interest in Shares	952,600 ordinary fully paid shares

COMPANY SECRETARY

The Company Secretary, Elizabeth Hanrahan, BSc, was appointed as Company Secretary upon incorporation of the Company.

Ms Hanrahan has five years corporate and accounting experience and has been involved in the listing of a number of companies on ASX. She has experience in ASX compliance and regulatory requirements.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration and project acquisition.

There were no significant changes in the nature of the Company's principal activities during the financial year.

3. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to \$1,967,858 (2008: \$756,489).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS REPORT (Continued)**5. REVIEW OF OPERATIONS****SIBERIAN POTASH ACQUISITION AGREEMENT**

On 16 December 2008 the Company announced it had entered into an agreement to acquire an interest in a substantial potash project in South-East Siberia, Russia (**Potash Project or Project**). On 20 May, the Company announced it had reached agreement to amend the terms pursuant to which it will acquire an interest in the Project. The acquisition is conditional, inter alia, on the vendor demonstrating that it is entitled to acquire clear title to the Project.

The consideration for acquiring a 50% (plus 1 share for a controlling interest) interest in the Potash 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% (minus 1 share) interest in the Project subject to the exercise of the Option. If the option is exercised, the vendor's retained interest will be 30% (minus 1 share). The vendor's 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.

Of the US \$4m initial acquisition cost, 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.

A review conducted by leading international consulting firm Coffey International concluded that the project contained a substantial potash resource, calculated under the Russian system of reserve/resource classification (C1+C2+P1).

Due to commercial sensitivities, the vendor has requested that the Company not release any further information to the public with regards to the project and the resource prior to the completion of the acquisition.

The Company remains confident of acquiring the project under the commercial terms as detailed above and firmly believes in the outlook for the future of the potash and fertiliser industries, however as announced on 7 September 2009, the acquisition has been delayed by a change system rules recently granted final approval and implemented by the Russian Judicial Ministry.

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 (**License**).

DIRECTORS REPORT (Continued)**5. REVIEW OF OPERATIONS (con't)**

The Company has completed its due diligence on the proposed acquisition of the License, located in the Russian province of Chita, Siberia and remains optimistic 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 acquisition is pending completion of a rail link between the trans Siberian railway line and the Project area.

The Company continues to monitor the progress of the acquisition and looks forward to updating shareholders on the project in the future.

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.

EXPLORATION UPDATE**Jillewarra Project**

Recent exploration at the Jillewarra Project included field investigation of target zones within the Project area including conductive zones of interest and several major structures identified by the RepTEM survey. Work carried out proposed to explain the anomalies and to further reconnaissance along interpreted faults to find ground evidence of these structures.

During the year the Company also completed a helicopter borne electromagnetic and magnetic survey over a portion of E51/1114 and P51/2565 with a view to identifying conductive bodies associated with massive sulphide beneath the surface. Results from the survey were received and were forwarded to a third party consultancy for processing and interpretation. The processing of both data sets has been completed but interpretation of the electromagnetic data is yet to be received.

An Aboriginal Heritage survey was completed over the three prospect areas, E51/1091, E51/1114 and P51/2565. A final report has been received, clearing the way for reconnaissance drilling to begin over selected targets.

Proposed exploration includes additional programs of soil and/or rock chip sampling over the target zones. Targets that are situated within prospective geological settings will have additional modeling completed on them to constrain the geometry and position of the target.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the Company's state of affairs during the financial year or since the end of the financial year.

DIRECTORS REPORT (Continued)**7. AFTER BALANCE DATE EVENTS**

There have been amendments to the Siberian Potash acquisition agreement subsequent to year end as per the ASX announcement on 31 July 2009.

On 31 August 2009 the Company's listed \$0.25 options expired. 19,495,002 options lapsed unexercised.

On 7 September 2009, the Company announced the acquisition of the Potash Project has been delayed by a change system rules recently granted final approval and implemented by the Russian Judicial Ministry. Refunds for a total of \$2,117,750 received pursuant to the standby loan have been issued.

Since the reporting date, the Australia stock market has undergone a significant change in value and consequently the fair value of financial assets as at the date of this report has increased by approximately \$369,880.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

8. FUTURE DEVELOPMENTS

The Company will continue its mineral exploration activity at its exploration projects with the object of identifying commercial resources.

The Company will continue due diligence on the Russian timber resource and if satisfactory proceed with the acquisition of 100% of the project.

9. ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent financial year. The director will reassess this position as and when the need arises.

10. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Red Emperor Resources NL.

Remuneration Policy

The remuneration policy of Red Emperor Resources NL has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Red Emperor Resources NL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

DIRECTORS REPORT (Continued)**10. REMUNERATION REPORT (con't)**

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The Remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the board. In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation options and fringe benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board however acquired shares as part of the terms of the Initial Public Offer. Board members have retained these securities which assist in aligning their objectives with overall shareholder value.

Options may also be issued to Board members to provide a mechanism to participate in the future development of the Company and as an incentive for their future involvement with and commitment to the Company.

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Company and expensed or capitalised to exploration expenditure if appropriate. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and executives are encouraged to buy shares in the Company. In addition Directors and executives may be issued shares and/or options to encourage the alignment of personal and shareholder interest.

DIRECTORS REPORT (Continued)**10. REMUNERATION REPORT (con't)****Details of Remuneration for Year Ended 30 June 2009**

The remuneration for each director of the company receiving the highest remuneration during the year was as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT	SECURITIES ISSUED		TOTAL
	Salary	Other	Non-Cash	Superannuation	Equity	Options	\$
Directors							
Kent Hunter – Managing Director							
2009	91,667	39,330	-	8,250	-	-	139,247
2008	73,333	58,500	-	6,600	-	-	138,433
Stephen Brockhurst – Non Executive Director							
2009	30,000	39,330	-	2,700	-	-	72,030
2008	27,500	58,500	-	2,475	-	-	88,475
Terry Gardiner – Non Executive Director (appointed 8 January 2008)							
2009	30,000	-	-	2,700	-	-	32,700
2008	15,000	-	-	1,350	-	-	16,350
Matthew Pedley – Non Executive Director (resigned 8 January 2008)							
2008	12,500	-	-	1,125	-	-	13,625
Total Remuneration Directors							
2009	151,667	(i)78,660	-	13,650	-	-	243,977
2008	128,333	(ii)117,000	-	11,550	-	-	256,883

- i) An aggregate amount of \$78,660 was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of corporate and secretarial services to the Company.
- ii) An aggregate amount of \$117,000 was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of IPO management, corporate and secretarial services to the Company.

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Kent Hunter are formalised in a contract of employment. Other than the Managing Director, all executives are permanent employees of Red Emperor Resources NL.

The employment contract states a three-month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

During and since the end of financial year, no options were issued to Directors and executives as part of remuneration.

11. DIRECTORS' INTEREST IN CONTRACT

Messrs Hunter and Brockhurst are directors and shareholders of Mining Corporate Pty Ltd, which provides company secretarial services to Red Emperor Resources NL.

DIRECTORS REPORT (Continued)**12. MEETINGS OF DIRECTORS**

The number of directors' meetings held during the financial period each director held office during the financial period and the number of meetings attended by each director are:

Directors Meetings		
Director	Number Eligible to Attend	Meetings Attended
Kent Hunter	10	10
Stephen Brockhurst	10	10
Terry Gardiner	10	10

The Company does not have a formally constituted audit committee. The Board has resolved that given the size and scale of the operations of the Company, the full Board will undertake the role of the Audit Committee. The Board has adopted an Audit Committee Charter which represents the duties required to be undertaken by the whole Board in their role as otherwise performed by the audit committee.

13. OPTIONS

At the date of this report, no options over unissued ordinary shares of the Company existed.

During the financial year no ordinary shares have been issued as the result of the exercise of options. There has been no further issue of ordinary shares as the result of the exercise of options since the end of the financial year.

14. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, and no proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237. The company was not a party to any such proceedings.

15. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

DIRECTORS REPORT (Continued)**16. NON-AUDIT SERVICES**

The board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were provided by the external auditors during the year ended 30 June 2009.

17. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required by Section 307C of the *Corporations Act 2001* is set out on the next page.

Signed in accordance with a resolution of the Board of Directors.



Kent Hunter
Managing Director

Perth, 14 September 2009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Red Emperor Resources NL for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 14 day of September 2009

Independent Audit Report

To the Members of Red Emperor Resources NL

We have audited the accompanying financial report of Red Emperor Resources NL (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Bentleys Audit
& Corporate (WA) Pty Ltd**
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Independent Auditor's Report

To the Members of Red Emperor Resources NL (Continued)



Auditor's Opinion

In our opinion:

- a. The financial report of Red Emperor Resources NL is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Red Emperor Resources NL for the year ended 30 June 2009, complies with s 300A of the Corporations Act 2001.

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 14 day of September 2009

INCOME STATEMENT
For the year ended 30 June 2009

	NOTE	30 June 2009	30 June 2008
		\$	\$
Revenues from ordinary activities	2	92,144	215,649
Administration expenses		(60,081)	(54,081)
Compliance and regulatory expenses		(52,256)	(47,817)
Consultancy costs		(138,053)	(57,567)
Directors fees		(59,250)	(57,667)
Employee benefits expense		(13,650)	(11,550)
Occupancy expense		(24,038)	(24,000)
Exploration expenditure written off		(17,843)	(220,150)
Forestry expenditure written off		(387,536)	(260,510)
Mineral project generation written off		(684,452)	-
Loss on share trading		(26,000)	-
Net fair value loss on financial assets		(596,843)	(238,796)
Loss before income tax expense		(1,967,858)	(756,489)
Income tax expense	3	-	-
Loss for the period		(1,967,858)	(756,489)
Basic loss per share (cents per share)	5	(5.04)	(2.06)

The accompanying notes form part of these financial statements.

BALANCE SHEET
As at 30 June 2009

	NOTE	30 June 2009 \$	30 June 2008 \$
CURRENT ASSETS			
Cash and cash equivalents	6	1,145,505	2,699,284
Trade and other receivables	7	54,799	37,995
Financial asset at fair value through profit and loss	8	921,144	1,417,874
Financial assets available for sale	8	200,000	-
TOTAL CURRENT ASSETS		<u>2,321,448</u>	<u>4,155,153</u>
NON CURRENT ASSETS			
Exploration and evaluation expenditure	9	702,754	462,418
TOTAL NON CURRENT ASSETS		<u>702,754</u>	<u>462,418</u>
TOTAL ASSETS		<u>3,024,202</u>	<u>4,617,571</u>
CURRENT LIABILITIES			
Trade and other payables	10	100,671	81,182
Financial liabilities	11	355,000	-
TOTAL CURRENT LIABILITIES		<u>455,671</u>	<u>81,182</u>
TOTAL LIABILITIES		<u>455,671</u>	<u>81,182</u>
NET ASSETS		<u>2,568,531</u>	<u>4,536,389</u>
EQUITY			
Issued capital	12	5,103,029	5,103,029
Option reserve	13	194,990	194,990
Accumulated losses		(2,729,488)	(761,630)
TOTAL EQUITY		<u>2,568,531</u>	<u>4,536,389</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2009

	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 30 June 2007	308,253	-	(5,141)	303,112
Issue of share capital	5,250,250	-	-	5,250,250
Issue of options	-	195,000	-	195,000
Exercise of options	10	(10)	-	-
Costs to issue	(455,484)	-	-	(455,484)
Loss for the period	-	-	(756,489)	(756,489)
Balance at 30 June 2008	5,103,029	194,990	(761,630)	4,536,389
Loss for the period	-	-	(1,967,858)	(1,967,858)
Balance at 30 June 2009	5,103,029	194,990	(2,729,488)	2,568,531

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 30 June 2009

		30 June 2009	30 June 2008
		\$	\$
	NOTE		
Cash Flows from Operating Activities			
- Payments to suppliers and employees		(326,775)	(269,278)
- Payments for exploration and evaluation		(311,318)	(263,391)
- Payments for forestry evaluation		(381,562)	(260,510)
- Payments for mineral project evaluation		(662,405)	-
- Interest received		107,170	199,727
<i>Net cash used in operating activities</i>	16(ii)	<u>(1,574,890)</u>	<u>(593,452)</u>
Cash Flows from Investing Activities			
- Purchase of exploration assets		-	(100,000)
- Purchase of shares		(334,741)	(1,656,670)
- Proceeds from sale of shares		852	-
<i>Net cash used in investing activities</i>		<u>(333,889)</u>	<u>(1,756,670)</u>
Cash Flows from Financing Activities			
- Proceeds from issue of shares		-	5,000,250
- Proceeds from issue of options		-	195,000
- Payments for the costs of the issue of shares		-	(455,483)
- Standby loan facility funds		355,000	-
<i>Net cash provided by financing activities</i>		<u>355,000</u>	<u>4,739,767</u>
Net (decrease)/increase in cash held		(1,553,779)	2,389,645
Cash at beginning of financial year		2,699,284	309,639
Cash at end of financial year	16(i)	<u>1,145,505</u>	<u>2,699,284</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company of Red Emperor Resources NL. Red Emperor Resources NL is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable by the measurement at fair value of financial assets, selected non-current assets and financial liabilities.

(a) Income Tax

The income tax revenue for the year comprises current income tax income and deferred tax income.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax assets are therefore measured at the amounts expected to be recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax income is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluation related to an area of interest are accumulated. Costs are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

These assets are considered for impairment on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient key data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(c) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those or segments operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(d) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below. *Derecognition* Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(d) Financial Instruments (con't)

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Foreign Currency Transactions

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(g) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the balance sheet.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(l) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(m) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Share Based Payments

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(q) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. A discussion of those future requirements and their impact on the group is as follows:

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). This Standard replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the group's board for the purposes of decision making. Whilst the impact of this Standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic level at which segments may be defined, and the fact that cash-generating units cannot be bigger than operating segments, impairment calculations may be affected. Management presently do not believe impairment will result however.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2009****(r) New Accounting Standards for Application in Future Periods (con't)**

AASB 101: Presentation of Financial Statements, AASB 2007–8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007–10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007–6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the group as a policy of capitalising qualifying borrowing costs has been maintained by the group.

AASB 2008–1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008–5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) and AASB 2008–6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the group.

AASB 2008–13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 and AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.

AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The Interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the group.

AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed, where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

(r) New Accounting Standards for Application in Future Periods (con't)

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the Company's financial statements.

The financial report was authorised for issue on 14 September 2009 by the board of directors.

	2009	2008
	\$	\$
2. REVENUE		
Interest received	91,860	215,649
Profit on sale of shares	284	-
	<u>92,144</u>	<u>215,649</u>
3. INCOME TAX EXPENSE		
	2009	2008
	\$	\$
The components of the tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net loss before tax	(1,967,858)	(756,489)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	<u>(590,357)</u>	<u>(226,947)</u>
Increase in income tax due to:		
Non-deductible expenses	324,393	1,316
Movement in unrecognised temporary differences	37,792	-
Effect of non recognition of current year tax losses	171,440	252,960
Derecognition of previously recognised tax losses	8,930	-
Effect of non recognition of current year capital losses	14,715	-
Under provision from prior year	<u>60,416</u>	<u>-</u>
Decrease in income tax expense due to:		
Tax benefit of deductible equity raising costs	(27,329)	(27,329)
Income tax attributable to entity	<u>-</u>	<u>-</u>
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Deductible temporary differences	119,022	110,664
Tax revenue losses (no expiry date)	417,893	253,153
Tax capital losses	14,715	-
	<u>551,630</u>	<u>363,817</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

	2009	2008
	\$	\$
4. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	23,250	16,500
- Other services	-	7,000
	<u>23,250</u>	<u>23,500</u>
5. EARNINGS PER SHARE	2009	2008
	\$	\$
(a) (Loss) used in the calculation of basic EPS	(1,967,858)	(756,489)
	Number of	Number of
	Shares	Shares
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	39,001,003	36,699,102
	<u>39,001,003</u>	<u>36,699,102</u>
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	44,705	133,813
Short term bank deposits	745,800	2,565,471
Standby loan facility funds	355,000	-
	<u>1,145,505</u>	<u>2,699,284</u>
7. TRADE AND OTHER RECEIVABLES		
Current		
Accrued interest	613	15,923
Other debtors	33,396	19,515
Prepayments	20,790	2,557
	<u>54,799</u>	<u>37,995</u>
8. FINANCIAL ASSETS		
Current at fair value through profit and loss		
Listed investments, at fair value	921,144	1,417,874
Current available for sale		
Unlisted investments, at cost	200,000	-
	<u>1,121,144</u>	<u>1,417,874</u>

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

Since the reporting date, the Australia stock market has undergone a significant change in value and consequently the fair value of financial assets as at the date of this report has increased by approximately \$369,880.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS	2009	2008
	\$	\$
Non-Current		
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases – at cost	<u>702,754</u>	<u>462,418</u>
Movement		
Brought forward	462,418	500
Exploration expenditure capitalised during the year	942,631	682,068
Exploration expenditure written off	<u>(702,295)</u>	<u>(220,150)</u>
	<u>702,754</u>	<u>462,418</u>

The exploration expenditure written off consists of \$15,872 in relation to expenditure on the Jillewarra Project in Western Australia, \$1,971 in relation to Western Australian tenement opportunity expenditure and \$684,452 in relation to overseas opportunities.

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

10. TRADE AND OTHER PAYABLES	2009	2008
	\$	\$
Current		
Trade creditors	82,666	69,832
Accruals	<u>18,005</u>	<u>11,350</u>
	<u>100,671</u>	<u>81,182</u>

11. STANDBY LOAN FACILITY

Standby loan funds	<u>355,000</u>	<u>-</u>
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On 18 May 2009 the Company announced it would raise up to A\$6 million by way of redeemable converting standby loans primarily for the purpose of acquiring a controlling interest in a Russian potash project (Project), details of which were announced on 20 May 2009. As soon as practical after the Company becomes entitled to acquire an interest in Project, the standby loans will convert into fully paid ordinary shares at a price of \$0.25 per share (subject to shareholder approval). If the Company is not successful in acquiring an interest in the Project it will redeem all standby loans and repay the amounts paid to subscribe for them.

A total of \$2,117,750 was received pursuant to the standby loan however, as announced to ASX on 7 September 2009, refunds have been issued for the total loan funds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

12. ISSUED CAPITAL	2009	2008
	\$	\$
<i>Ordinary Shares</i>		
At the beginning of the reporting period	5,103,029	308,253
Shares issued during the year		
- 20,000,000 subscriber shares issued 10 August 2007	-	5,000,000
- 1,000,000 vendor shares issued 18 August 2007	-	250,000
Options exercised during the year		
- 1,000 on 11 January 2008	-	260
Transaction costs relating to share issues	-	(455,484)
At reporting date	<u>5,103,029</u>	<u>5,103,029</u>

The authorised share capital of the company as at 30 June 2009 was 39,001,003 ordinary shares.

	No.	No.
<i>Ordinary Shares</i>		
At the beginning of the reporting period	39,001,003	18,000,003
Shares issued during the year		
- 20,000,000 subscriber shares issued 10 August 2007	-	20,000,000
- 1,000,000 vendor shares issued 18 August 2007	-	1,000,000
Options exercised during the year	-	
- 1,000 on 11 January 2008		1,000
At reporting date	<u>39,001,003</u>	<u>39,001,003</u>

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The Company's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

	2009	2008
	\$	\$
13. OPTION RESERVE		
Reserves at the beginning of the reporting period	194,990	-
19,500,002 options issued pursuant to the non-renounceable offer of options	-	195,000
1,000 options exercised during the year	-	(10)
Option Reserve at the end of the financial reporting period	<u>194,990</u>	<u>194,990</u>

14. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at 30 June 2009, and the interval between 30 June 2009 and the date of this report.

15. SEGMENT INFORMATION

2009

The Company operates predominantly in two geographical segments, being Australia and Russia, and in two business segments, mineral exploration and forestry.

Primary Reporting - Geographical Segments	Australia \$	Russia \$	Total \$
Revenues from ordinary activities	92,144	-	92,144
Segment results (loss)	(895,870)	(1,071,988)	(1,967,858)
Segment assets	1,179,514	20,790	1,200,304
Segment liabilities	(53,365)	(47,306)	(100,671)
Acquisitions of financial assets and other non-current segment assets	1,823,898	-	1,823,898
Impairment loss on exploration expenditure	(17,843)	(684,452)	(702,295)
Primary Reporting - Business segments	Exploration \$	Forestry \$	Total \$
Revenues from ordinary activities	92,144	-	92,144
Segment results (loss)	(1,580,322)	(387,536)	(1,967,858)
Segment assets	1,179,514	20,790	1,200,304
Segment liabilities	(94,697)	(5,974)	(100,671)
Acquisitions of financial assets and other non-current segment assets	1,823,898	-	1,823,898
Impairment loss on exploration expenditure	(702,295)	-	(702,295)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

15. SEGMENT INFORMATION (con't)

2008

The Company operates predominantly in two geographical segments, being Australia and Russia, and in two business segments, mineral exploration and forestry.

Primary Reporting - Geographical Segments	Australia	Russia	Total
	\$	\$	\$
Revenues from ordinary activities	215,649	-	215,649
Segment results (loss)	(495,979)	(260,510)	(756,489)
Segment assets	4,617,571	-	4,617,571
Segment liabilities	(81,182)	-	(81,182)
Acquisitions of financial assets and other non-current segment assets	1,417,874	-	1,417,874
Primary Reporting - Business segments	Exploration	Forestry	Total
	\$	\$	\$
Revenues from ordinary activities	215,649	-	215,649
Segment results (loss)	(495,979)	(260,510)	(756,489)
Segment assets	4,617,571	-	4,617,571
Segment liabilities	(81,182)	-	(81,182)
Acquisitions of financial assets and other non-current segment assets	1,417,874	-	1,417,874

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

16. CASH FLOW INFORMATION	2009	2008
	\$	\$
(i) Cash is made up of the following:-		
Cash at bank	1,145,505	2,699,284
(ii) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(1,967,858)	(756,489)
Non-cash flows in loss for the year		
- Fair value gain on financial assets	(20,549)	(120,731)
- Provision for diminution of investment	617,393	359,526
- Loss on share trading	26,000	-
Cash flows not in loss for the year		
- Payments for exploration and evaluation	(311,318)	(263,390)
- Payments for forestry evaluation	(381,562)	(260,510)
- Payments for project evaluation	(662,405)	-
- Exploration costs written-off	17,843	220,150
- Forestry costs written-off	387,535	260,510
- Mineral project evaluation costs written-off	684,452	-
Changes in assets and liabilities		
- Decrease/(Increase) in receivables	16,804	(37,847)
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	18,775	5,329
Net cash inflow/(outflow) from Operating Activities	(1,574,890)	(593,452)

17. EVENTS SUBSEQUENT TO REPORTING DATE

There have been amendments to the Siberian Potash acquisition agreement subsequent to year end as per the ASX announcement on 31 July 2009.

On 31 August 2009 the Company's listed \$0.25 options expired. 19,495,002 options lapsed unexercised.

On 7 September 2009, the Company announced the acquisition of the Potash Project has been delayed by a change system rules recently granted final approval and implemented by the Russian Judicial Ministry. Refunds for a total of \$2,117,750 received pursuant to the standby loan have been issued.

Since the reporting date, the Australia stock market has undergone a significant change in value and consequently the fair value of financial assets as at the date of this report has increased by approximately \$369,880.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

18. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in the Directors Report.

The following payments were made to Director related entities:

- iii) An aggregate amount of \$78,660 (2008: \$117,000) was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of corporate and secretarial services to the Company.
- iv) An aggregate amount of \$200,000 was invested in Subiaco Asset Management, a Company of which Mr Gardiner is a Director.
- v) During the year a total of \$700 was paid to Barclay Wells, a company of which Mr Gardiner is a director, as brokerage payable on listed investment transactions.

These transactions were on commercial terms and conditions and at market rates.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

- a) Names and positions held of company key management personnel in office at any time during the financial year are:

Mr Kent Hunter	Managing Director
Mr Stephen Brockhurst	Non-Executive Director
Mr Terry Gardiner	Non-Executive Director

The Company has taken advantage of the relief provided by AASB 2009-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 8 to 10.

	Short term benefits	Post- employment benefits	Total
	\$	\$	\$
2009			
Total compensation	230,327	13,650	243,977
2008			
Total compensation	245,333	11,550	256,883

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

19. KEY MANAGEMENT PERSONNEL COMPENSATION (con't)

b) Options and Rights Holdings

Number of Options Held by Key Management Personnel					
	Balance 1 July 2008	Granted as remuneration	Options Exercised	Net Change - Other	Balance 30 June 2009
Kent Hunter	504,000	-	-	-	504,000
Stephen Brockhurst	125,000	-	-	-	125,000
Terry Gardiner	427,500	-	-	11,000	438,500
	1,106,500	-	-	11,000	1,117,500

During and since the end of financial year, no options were issued to Directors and executives as part of remuneration.

Options in which Directors have a relevant interest are listed options pursuant to the non-renounceable issue of options to shareholders.

c) Shareholdings

Number of Shares held by Key Management Personnel					
	Balance 1 July 2008	Granted as remuneration	Received on exercise	Net Change - Other *	Balance 30 June 2009
Kent Hunter	1,108,001	-	-	-	1,108,001
Stephen Brockhurst	250,001	-	-	-	250,001
Terry Gardiner	665,000	-	-	283,600	948,600
	2,273,002	-	-	283,600	2,306,602

* Net Change Other refers to shares purchased on market during the financial year.

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Company may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

20. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed companies.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

20. FINANCIAL INSTRUMENTS (con't)

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

Interest rate and liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Interest rate risk

The following table details the Company's exposure to interest rate risk as at the reporting date:

<u>2009</u>	Fixed interest rate maturing in:						
Financial Instrument	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	1,145,505	-	-	-	-	1,145,505	5.93%
Receivables – other	-	-	-	-	54,799	54,799	n/a
Financial assets at fair value through profit and loss					921,144	921,144	n/a
Financial assets available for sale	-	-	-	-	200,000	200,000	n/a
Total financial assets	1,145,505	-	-	-	1,175,943	2,321,448	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	100,671	100,671	n/a
Total financial liabilities	-	-	-	-	100,671	100,671	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

20. FINANCIAL INSTRUMENTS (con't)

2008

Fixed interest rate maturing in:

Financial Instrument	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	2,699,284	-	-	-	-	2,699,284	7.10%
Receivables – other	-	-	-	-	31,752	31,752	n/a
Financial assets at fair value through profit and loss	-	-	-	-	1,417,874	1,417,874	n/a
Total financial assets	2,699,284	-	-	-	1,449,626	4,148,910	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	11,350	11,350	n/a
Total financial liabilities	-	-	-	-	11,350	11,350	

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or be discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Market risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as either available-for-sale or at fair value through profit and loss.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transactions costs expected to be incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

20. FINANCIAL INSTRUMENTS (con't)
Interest rate sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The tables indicates the impact of how profit and equity values reports at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2009	Loss \$	Equity \$
+/- 2% in interest rates	+/- 22,910	+/- 22,910
+/- 10% in listed investments	+/- 92,144	+/- 92,144

Year ended 30 June 2008	Loss \$	Equity \$
+/- 2% in interest rates	+ /- 53,876	+ /- 53,876
+/- 10% in listed investments	+/- 141,787	+/- 141,787

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

21. COMMITMENTS

a) Exploration

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirement up until expiry of leases. These obligations, where are subject to renegotiation on expiry of the leases, are not provided for in the financial statements and are payable:

	2009 \$	2008 \$
Not longer than one year	82,500	105,000
Longer than one year, but no longer than five years	63,062	185,260
	<u>145,562</u>	<u>290,260</u>

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 39, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Kent Hunter
Managing Director

Perth,
14 September 2009

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 10 September 2009 was as follows:

Number Held as at 1- September 2009	Fully Paid Ordinary Shares
1-1,000	6
1,001 - 5,000	60
5,001 – 10,000	91
10,001 - 100,000	303
100,001 and over	55
TOTALS	515

Holders of less than a marketable parcel:

- fully paid shares

Nil

Substantial Shareholders

The company has no substantial shareholders listed in the Company's register as at 10 September 2009.

Restricted Securities

The Company has no restricted securities

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)**Twenty Largest Shareholders as at 10 September 2009**

The names of the twenty largest ordinary fully paid shareholders are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
A22 Pty Ltd	1,245,300	3.953
Subiaco Asset Management Pty Ltd <Global Speculative Fund>	1,233,334	3.915
Yeldep Pty Ltd <The Yeldep Account>	1,106,666	3.513
Kouta Bay Pty Limited <The Houndy Family A/C>	1,000,000	3.174
Ferrox Limited	1,000,000	3.174
Mr Terry James Gardiner	945,100	3.00
Infeon Limited	750,000	2.381
Marr Resources Holdings Limited	750,000	2.381
Lake Springs Pty Ltd <The Lake Springs S/F A/C>	640,000	2.031
Plasma (WA) Pty Ltd <The Rant Unit A/C>	630,000	2.000
Jocaph Pty Limited	625,000	1.984
Redmet Limited	500,000	1.587
Kakula Limited	500,000	1.587
Sept Rouges Limited	500,000	1.587
ANZ Nominees Limited <Cash Income A/C>	300,000	0.952
John Gallucio	300,000	0.952
Lot 88 Pty Limited <The Eighty Eight Unit A/C>	295,000	0.936
Mr John Rothan Bartle & Mr Chuck Rothan Bartle <Bartle Super Fund A/C>	271,000	0.860
Tilpa Pty Ltd <Super Fund A/C>	254,000	0.806
Mr James Alexander Hanson	250,000	0.794
Total	13,095,400	41.566

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/corporate_governance/index.htm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation of Senior Executives	1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1 Independent Directors	1.2.1
Recommendation 2.2 Independent Chairman	1.2.1
Recommendation 2.3 Role of the Chairman and CEO	1.2.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Performance Evaluation Processes	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2.1, 1.4.10, 2.3 and the Directors' Report
Recommendation 3.1 Code of Conduct	4
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	4 and 1.4.9
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	3.1
Recommendation 7.2 Risk Management Reporting	3.1
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 8.3 Reporting on Principle 8	2.2 and 2.2.4

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr S Brockhurst and Mr T Gardiner are Non-Executive Directors and are independent directors as they meet the following criteria for independence adopted by the Company. The Board recognises that the following criteria is not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another group member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.
- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Director must ensure that materiality thresholds are not breached.

Mr K Hunter is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.2.2 Role of the Chairman and CEO

Recommendation 2.3 has been complied with as the company currently does not have a CEO in place and appointed management is separate from the Chairman's position.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.

- **Overseeing Planning Activities:** the development of the Company's strategic plan.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 *Board Policies*

1.4.1 *Conflicts of Interest*

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 *Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 *Confidentiality*

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 *Continuous Disclosure*

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules, which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 *Education and Induction*

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and

- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information.

The Company's policy for shareholder communication is available on the Company's website.

1.4.9 Trading in Company Shares

On 22 July 2009 the Board reviewed and re-adopted a Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the *Corporations Act 2001* concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met.

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter adopted on 15 May 2007 and reviewed on 22 July 2009 and was implemented for the financial period ended 30 June 2009. A performance evaluation of senior executives was undertaken during the financial period ended 30 June 2009 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. In the absence of a formal audit committee the board considers the issues that would otherwise would be considered by the audit committee. A copy of the Audit Committee Charter is available on the Company's website.

Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Audit Committee Charter

The Board has adopted an Audit Committee Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Board refers to the Audit Committee Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Company's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 14 September 2009 Mr K Hunter (Managing Director) and Ms E Hanrahan (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.1.5 External Auditor

The Board's has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 9 March 2007 and reviewed on 22 July 2009. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;

- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Risk Management

3.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company has established a risk register and assessment procedure which is tabled at each board meeting and any change in risk elements are identified and discussed.

In addition, the Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Company's risk management strategy was formally reviewed by the Board on 26 May 2009 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website.

4. Company Code Of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Managing Director monitors the company's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed by the Board on 29 August 2009 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director.

Corporate Responsibility

The company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

A copy of the Company's Code of Conduct is available on the Company's website.

**SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2009**

<i>Project</i>	<i>Tenement</i>	<i>Interest held by Red Emperor Resources NL</i>
Jillewarra	EL51/1091	Nil
Jillewarra	EL51/1114	Nil
Jillewarra	PLA51/2565	Nil

P Prospecting Licence
E Exploration Licence
M Mining Licence