Great South Land Minerals Limited

Independent Expert Report & Financial Services Guide

10 March 2005

PKF

PKF Corporate Advisory

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PKF Corporate Advisory Services (Vic) Pty Ltd
ABN 97 007 267 558
Australian Financial Services Licence 255377

Level 11, CGU Tower
485 La Trobe Street, Melbourne 3000
GPO Box 5099BB, Melbourne VIC 3001

Tel: 61 3 9603 1700
Fax: 61 3 9602 3870

www.pkf.com.au

10 March 2005

The Independent Directors
Great South Land Minerals Ltd
Level 3
65 Murray Street
HOBART TAS 7000

Dear Sirs

Independent Expert Report & Financial Services Guide

Introduction

Empire Energy Corporation International Inc ("Empire") has made an offer to acquire all of the fully paid ordinary shares in Great South Land Minerals Limited ("GSLM") on the basis of one Class A Empire share in consideration for one GSLM share ("the Offer").

PKF Corporate Advisory Services (Vic) Pty Ltd ("PKF Corporate") has been requested to prepare an independent expert report to the Independent Directors of GSLM advising whether in our opinion the Offer from Empire is fair and reasonable to the shareholders of GSLM.

Purpose of Report

The independent expert report is required pursuant to Section 640 of the Corporations Act 2001 ("the Act") in order to assist the Directors with their recommendation to shareholders to accept or reject the Offer. We have prepared this report having regard to Section 640 of the Act, the relevant Australian Securities and Investment Commission ("ASIC") Policy Statements and Practice Notes, as well as the Australian Institute of Mining and Metallurgy's Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports ("the Valmin Code") of 17 February 1995, as amended in March 1998.

This report is to accompany the Target's Statement to shareholders ("Target's Statement") and must not be quoted or referred to or used for any other purpose unless written consent has been provided by PKF Corporate.

Opinion

In our opinion the Offer by Empire is fair and reasonable to the GSLM shareholders.

We have assessed the value of the Offer in the range of A$0.27 to A$0.36 per share (undiluted) and in the range of A$0.26 to A$0.35 per share (fully diluted). This value range has been determined having regard to Empire's share price and its underlying pro-forma net assets post acquisition. Empire itself currently has no business and no assets other than a loan receivable from GSLM. The current share price is likely therefore to incorporate shareholder speculation as to the value inclusive of GSLM.

We have assessed the value of a GSLM share in the range of A$0.12 to A$0.23 both on an undiluted and fully diluted basis. The value of a GSLM share was also assessed on recent share trades, adjusted for a control premium. As we have assessed the value of the Offer to be greater than the value of a GSLM share, it is our opinion that the Offer is fair.

The value we have ascribed to a GSLM share is below the net asset value of a GSLM share. The net asset value of a GSLM share is underpinned by the value of its main asset, exploration licence SEL13/98 ("SEL 13/98"). However, the potential value can only be realised if GSLM receives funds to cover the conditions in the licence renewal which requires cumulative mandatory expenditure of $4,272,800 by 30 September 2005, $6,688,800 by 30 September 2006, $10,528,000 by 30 September 2007, $15,752,000 by 30 September 2008 and $17,200,000 by 30 September 2009. Failure to spend these sums will result in revocation of the licence. As GSLM does not have funds, the only way of realising value is to raise funds to carry on the exploration.

Management are of the view that if GSLM becomes a subsidiary of Empire, it will have greater access to the enhanced capital raising opportunities of an Over the Counter Bulletin Board ("OTC") quoted company which in turn would assist in the funding required for the exploration activity. Empire does not currently have the funds to undertake the exploration. However, the Directors believe that funding opportunities for Empire will be enhanced if the acquisition proceeds. Empire has been able to raise some capital in recent months, notwithstanding its poor balance sheet and a period of great uncertainty. The Directors of Empire believe that if the acquisition proceeds, this will create an environment of greater certainty for Empire which in turn should result in greater capital raising opportunities. Strategies for fund raising are detailed in the Bidders Statement and in our report.

If the Offer is not accepted by shareholders and the transaction does not proceed, the ability for GSLM to raise funds and to expend $4,272,800 by 30 September 2005 is doubtful given no other offers have come forward. Should GSLM not be able to raise funds, the above values could not be realised as the exploration licence cannot be sold separately and the licence would be revoked. Consequently, the value of the GSLM shares would essentially be nil as GSLM would have a deficiency in net assets. In our opinion the recent share trades of GSLM reflect the significant risk of GSLM being unable to raise funds, and consequently, the license being revoked.

In our opinion the Offer is reasonable as it enhances the prospects of raising funds and potentially the ability for shareholders to realise the underlying value of the shares post acquisition. The underlying value of the shares, based on the pro-forma net assets of Empire as at 31 December 2004, inclusive of the independent value ascribed to SEL13/98 by Anderson & Schwab Australia Limited ("A&S") in their report dated 9 November 2004, are as follows:

Pro-forma Net Assets of Empire Post Acquisition

	Low Undiluted	High Undiluted	Low Diluted	High Diluted
Pro form net assets:				
- based on 50% acceptance	A$0.21	A$0.29	A$0.19	A$0.27
- based on 100% acceptance	A$0.26	A$0.36	A$0.24	A$0.33

However, as at the date of this report, the only commitments for further funds are for US$500,000 from HEM Mutual Assurance LLC ("HEM"). The risk therefore remains that if funds are not able to be raised to continue with the exploration program and to meet the exploration commitments, the licence will be revoked. If this occurs, Empire will continue to have going concern issues until further significant new capital is raised and is at risk of having to seek recourse to one of the forms of insolvency administration provided for under the US Bankruptcy Code. This would have a significant downward impact on the value of the Empire shares.

Our analysis and assessment has been undertaken having regard to GSLM shareholders as a whole, as required by the Act. We have not considered the effect on individual GSLM shareholders. The taxation implications of acceptance of the Offer will vary according to particular circumstances of the individual GSLM shareholders and will also vary depending on the number of shareholders accepting the Offer. Clause 11 of the Bidders Statement discusses the taxation implications of the Offer. We have not considered the taxation implications for individual shareholders. Accordingly, GSLM shareholders should seek their own independent taxation advice.

This letter is a summary of PKF Corporate's opinion upon the Offer. This opinion should be read in conjunction with, and not independently of, PKF Corporate's detailed report, the attached appendices including our Financial Services Guide at Appendix 2, and the Target's Statement of GSLM.

Yours faithfully
PKF CORPORATE ADVISORY SERVICES (VIC) PTY LTD

Piera Murone
Director

David Garvey
Director

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1. THE OFFER

1.1 The Offer

On 15 July 2002, the Board of Directors unanimously approved the terms and conditions for the acquisition of GSLM, as established in the Letter of Intent dated 9 July 2002 and amended on 10 December 2002 and 16 October 2003. Approval of Empire's shareholders was obtained at a shareholders meeting held on 29 March 2004. In summary, the proposal approved by the shareholders contained the following elements:

- Empire to acquire up to 100 percent of GSLM's shares;
- Empire would have only 3.1 million shares outstanding at the time of the closing of the transaction;
- Empire would nave no material operations at the time of the closing of the transaction with no liabilities and no pending litigation at the time of completion;
- GSLM shareholders would individually in a private transaction be offered the opportunity to exchange their GSLM shares for Empire restricted shares;
- The parties intention was to require at least 80 percent share participation from the GSLM shareholders to close the transaction;
- Assuming 100 percent acceptance, Empire would issue 58,900,000 shares of common stock to GSLM shareholders leaving existing Empire shareholders with ownership of only 5 percent of the combined company; and
- The transaction was intended as a tax-free reorganisation.

In anticipation of the acquisition, on 26 April 2004 Empire was redomiciled to the state of Nevada. As part of the redomiciliation one new share was issued in the Nevada corporation for each 10 shares of the old corporation.

On 27 May 2004 an agreement was entered into by GSLM and Empire to actively pursue the acquisition subject to acceptance of the Offer by GSLM shareholders.

Empire served a Bidder's Statement to the shareholders of GSLM, dated 4 March 2005, to acquire all of the shares in GSLM on the basis of one Class A Empire share for one GSLM share. The offer is only open to GSLM shareholders holding shares as at the date of the Bidder's Statement. Copies of the Bidder's Statement were lodged with ASIC on the same day. The terms and conditions of the Offer are described in clause 13 of the Bidder's Statement.

1.2 Purpose of the Offer

The purpose of the Offer is described in detail in the Bidder's Statement. In summary, Empire seeks to enable GSLM to have access to the capital raising opportunities of Empire as a company quoted on the OTC. The raising of additional capital is intended to fund GSLM's gas and oil exploration activities in order to comply with its exploration obligations under its licence SEL 13/98.

1.3 Conditions of the Offer

The Offer is subject to various conditions as set out in the Bidder's Statement and summarised as follows:

- Acceptance of the Offer for at least 50 percent of the share capital in GSLM;
- Neither GSLM nor any of their subsidiaries suffer any material adverse change in relation to it or the business of that entity between the date of the Offer and the date of closing of the Offer and GSLM will be free from any material pending or threatened litigation, claims, or contingent liabilities, other than as disclosed in its financial statements as at 30 June 2004;

- GSLM shall be in good standing in the Australian State of Tasmania and shall be duly qualified to do business as a foreign corporation in those jurisdictions, which require such qualification;
- The proposed acquisition by Empire shall not violate the terms and conditions of the petroleum licence held by GSLM known as SEL13/98 and such licence shall be in good standing as at the date of closing of the Offer; and
- None of the following occurrences happening during the period from the date of the Bidder's Statement to the end of the Offer period:
  - GSLM resolving that it be wound up;
  - The appointment of a liquidator or provisional liquidator of GSLM;
  - The making of an order by a court for the winding up of GSLM;
  - An administrator of GSLM being appointed under section 436A, 436B, or 436C of the Act;
  - GSLM executing a deed of company arrangement; or
  - The appointment of a receiver, receiver and manager, other controller (as defined in the Act) or similar official in relation to the whole, or a substantial part, of the property of GSLM.

1.4 Bidder's Intentions

In clause 7 of the Bidder's Statement Empire has indicated its intentions for GSLM. In summary, it is the intention of the Board of Directors of Empire Energy to undertake a review of GSLM's activities to more fully evaluate its performance, profitability and prospects in the light of the more detailed information then available to it and in the context of Empire's objective to grow its business and enhance shareholder wealth.

In the immediate short term, both Empire and GSLM are in need of either debt or equity facilities. If the acquisition is completed, the first task of the Directors will be to concentrate on funding opportunities for the company.

It is intended to continue operating GSLM as it currently operates with the same Directors, same office and staff with the intention of removing duplication of resources in time when it is economically efficient to do so.

2. INDEPENDENT EXPERT REPORT

2.1 Scope

The Offer is subject to Section 640 of the Act ("Section 640"). Section 640 requires an expert opinion to be provided where the bidder is connected with the target company. Specifically, Section 640 requires an expert's report if:

- the bidder's voting power in the target is 30 percent or more; or
- the bidder is a director of the target or a director of the bidder is a director of the target.

Empire has no voting power in GSLM. However, after the negotiation of the acquisition of GSLM by Empire between the independent officers and Directors of the separate companies, the approval of the acquisition by Empire's independent board of Directors and shareholders of Empire and after the negotiation and signing in May 2004 of an agreement to aggressively pursue the acquisition, Mr Malcolm Bendall, Chairman of GSLM, was appointed to the board of Empire to facilitate completion of the acquisition and planning for subsequent combined activity. Because of this appointment, an independent expert report is required in accordance with Section 640. An independent expert report accompanying a target statement must state whether, in the expert's opinion, the takeover offer is fair and reasonable and give the reasons for forming that opinion.

2.2 Basis of Assessment

The Act does not define the expressions "fair" and "reasonable". However, guidance is provided by the Policy Statements ("PS") and Practice Notes ("PN") issued by ASIC, which establish certain guidelines in respect of independent expert reports required under the Act.

PS 75 "Independent Expert Reports to Shareholders" relates to the assessment of takeover offers pursuant to Section 640. PS 75 draws a distinction between "fair" and "reasonable". An offer is fair if the consideration is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100 percent ownership of the target company irrespective of the percentage holding of the bidder or its associates in the target company. For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". PS 75 considers an offer to be reasonable if:

- the offer is fair; or
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

PS 75 sets out some of the "other significant factors" that should be considered by an expert in assessing the reasonableness of the offer including:

- bidder's pre-existing entitlement to shares in the target or other significant shareholding blocks;
- liquidity of the market in the target's shares or likelihood of an alternative offer being made;
- taxation losses, cash flow or other benefits of achieving 100 percent ownership of the target;
- any special value of the company to the bidder;
- the value to an alternative bidder; and
- other advantages and disadvantages for the shareholder in accepting the bidder's offer.

In considering whether the Offer is fair and reasonable, we have considered each of the above factors.

2.3 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

3. PROFILE OF GSLM

3.1 Company History and Activities

In 1984, Conga Oil Proprietary Limited ("Conga Oil"), a predecessor company of GSLM, was formed to carry out a limited stratigraphic exploration program on a 50 square kilometre licence, EL 10/84 encompassing wells drilled in 1916 and 1929. In 1988, EL10/84 was incorporated into a new permit EL 1/88, covering an area of 3,500 square kilometres.

In 1989, Condor Oil Investments Unit Trust No 1 ("Condor Oil Trust") was established to provide tax effective investment opportunities to certain investors and to acquire the assets, exploration licences and permits held by Conga Oil. In 1992 Condor Oil took over responsibility for exploration and during this period up to an including 1994 produced several consultants' reports. In 1994, the first two stratigraphic wells, Shittim #1 and Gilgal #1, were commenced on North Bruny Island. These stratigraphic wells produced shows of hydrocarbon gas.

During 1995 Great South Land Minerals Proprietary Limited was incorporated. The company was formed to acquire the assets and licences of Condor Oil Trust. Two further licences were added to the portfolio and the company increased its exploration activities. Over the period 1995 to 1998 the company undertook further collaborative studies and appointed independent consultants to undertake various reviews.

In March 1998 Great South Land Minerals Proprietary Limited changed from a private to a public company, GSLM, by way of a Special Resolution approved by shareholders. In 1999, GSLM acquired rights to the largest onshore petroleum licence in Australia, SEL 13/98. SEL 13/98 initially comprised 30,356 square kilometres and covered the whole Tasmania Basin. This licence was created in June 1999 by incorporating areas covered by permits EL I/88, EL 9/95 and EL 21/95 into a special exploration licence covering all of the accessible area of the Tasmania Basin.

GSLM and its predecessor companies have researched the potential for oil and gas discovery and have shown the Tasmania Basin as being similar in geological terms to major oil producing regions such as Oman and the Cooper Basin. It has also been demonstrated that the Tasmania Basin is prospective for oil, hydrocarbon gases and helium. This positive view has been confirmed successively in reports issued by five independent consulting petroleum geologists.

Significant events in GSLM's history since 2001 include the following:

- Year ended 30 June 2001
  - Commenced an in-depth regional geophysical analysis of the area covered by licence, SEL13/98.
  - Located over 600 kilometres of regional seismic lines both in the Central Highlands and in the North Midlands areas.
  - Awarded contract for the seismic acquisition to Trace Energy Services.
  - By 30 June 2001, a total of 659 line kilometres of seismic data acquisition was completed at a cost of $2.35 million, satisfying the Licence commitment of at least 600 km acquisition and $2 million expenditure.
  - Processing of the data was undertaken by Robertson Research Australia Pty Ltd ("Robertson") in Perth, with initial interpretation work carried out by Dr Michael Swift of Applied GeothermEx Pty Ltd in Brisbane.
  - Together with the School of Earth Sciences at the University of Tasmania, successfully applied for a Strategic Partnership with Industry - Research and Training Scheme ("SPIRT") grant to enable a team of university and GSLM geoscientists to develop a computer model for the geological, tectonic and fluid flow evolution of central Tasmania for the last 500 million years.

- Year ended 30 June 2002
  - Funding commitment of $1 million negotiated with Cyber Finance Group ("Cyber") in order to cover expenses for completion of the exploration program and other operating costs.
  - Negotiations with a number of parties interested in a major equity placement in GSLM up to a level of $15 million, with a Heads of Agreement with Austral Pacific Limited signed on 8 November 2001.
  - Issue of 3,955,125 shares to Cyber as partial fulfilment of their funding agreement.
  - Appointed Mr Malcolm Bendall as a Director and Board Chairman.
  - Processing of the seismic data by Robertson was completed with final and migrated stacks received for all lines.
  - Technical evaluation of the exploration potential of the Licence SEL 13/98 was completed by Galen Treadgold of Weinnman GeoScience which stated that there was a high probability that hydrocarbons were present in subsurface traps and the necessary elements for economic hydrocarbons were present.
  - Commenced planning for the next seismic survey, TB02, with conditional approval granted by Mineral Resources Tasmania and DPIWE.
  - Conditional approval granted by Mineral Resources Tasmania for the drilling/coring of the stratigraphic well north of Bothwell, Hunterston #1 to a depth of 1,200 metres.
  - Conditional approval granted for a second stratigraphic well called Gezer#1, to be drilled from a location approximately 5 kilometres off-structure on the Bellevue anticline and near to the Marlborough Highway.
  - Issued 484,000 shares at a price of $0.25 to existing shareholders.
  - Signed a contract with OME Resources Australia Pty Ltd ("OMERA") by which OMERA may earn a joint venture interest in SEL 13/98 by conducting drilling and related work ("Joint Venture"). Stage 1 of this work required the expenditure of $1 million prior to 30 September 2002 to complete the drilling/coring of Hunterston #1 and other activities for a 5 percent interest in the licence.
  - On 15 May 2002 signed a memorandum of understanding with Discovery Oil Limited ("Discovery") of Malibu California, a public company listed on OTC, to merge operations so that GSLM became a wholly owned subsidiary of Discovery. Further negotiations failed to satisfactorily conclude the proposed acquisition.
- Year ended 30 June 2003
  - On 9 July 2002, signed a letter of intent for Empire to acquire all the shares of GSLM. The existing shares of Empire were to be reverse split and additional shares issued to GSLM shareholders such that GSLM shareholders would hold 95 percent of Empire. Empire was to dispose of all its assets and most of its liabilities and make a formal offer to GSLM shareholders.
  - Lodged an offer information statement ("OIS") resulting in the issue of 1,028,764 shares at $1 each. The funds were to be used for working capital purposes including expenses associated with the seismic and drilling exploration programs.
  - Issued a further 3,955,125 shares to Cyber to complete fulfilment of their funding agreement.
  - Completed report on the seismic interpretation and basin analysis of the Longford Sub-basin.
  - Approval obtained from Mineral Resources Tasmania to re-enter and deepen the stratigraphic well, Hunterston #1. The drilling constituted part of the work activities to be carried out by OMERA in accordance with Joint Venture agreement. Coring and drilling activities continued to a depth of 1,324 metres. Hydrocarbon gas was noted at various depths. Gas samples confirmed the presence of methane gas as well as traces of Helium and Hydrogen.
  - Continued with the SPIRT joint research program. Numerous thin sections, geochemical assays and prosity-permeability analysis carried out on samples from the Parmeener

Supergroup, Gordon Group limestones and from Precambrian dolomites. A litholog of the Hunterston #1 drill hole was completed and a partial report on the Tasmania Basin released. A palaeogeothermal/maturation model was developed.

- Year ended 30 June 2004
  - Issued 246,800 shares at $1 each.
  - Received $890,028 from an entity associated with a Director. The advance is unsecured and not repayable before 1 June 2006.
  - Advised OMERA that they have not complied with the terms and conditions of the joint venture agreements and that they are in default to the extent that they have no entitlements, including any entitlement to an interest in the lease, under that agreement.
  - The initial period of the Licence SEL 13/98 expired in May 2004. The company lodged an application to extend the licence for a further period.
  - Continued with the SPIRT joint research program. An analysis of the structural history and palaeodip of potential petroleum fairways was completed. A review of the petroleum potential of the Tasmania Basin was completed. Studies of the pre-Tasmania Basin Larapintine Petroleum System and modelling of the petroleum generation of the Tasmania Basin are ongoing.
- Six months to 31 December 2004
  - Dispute with OMERA resolved resulting in the agreement being terminated and OMERA receiving all rights to explore for coal bed methane from the area of SEL 13/98. On 1 August 2003, the Minister for Mines granted OMERA an exploration licence for coal bed methane, SEL 32/2003.
  - On 28 October 2004 a renewal of SEL 13/98 was granted through to 30 September 2009. This covers an area of 15,035 square kilometres with the company committed to an expenditure on its exploration program of seismic and drilling of $21.5 million over the five year period.
  - Commissioned Terratek Petroleum Consultants Pty Ltd to prepare a summary of seismic interpretation. This interpretation report was submitted to Minerals Resources Tasmania on 1 December 2004.

3.2 Current Activities

GSLM's currently holds SEL 13/98, which originally covered most of the Tasmania Basin with an area of 30,356 square kilometres. SEL 13/98 was initially granted for a period of five years to 18 May 2004, with the ability to extend the licence for up to five more years at the discretion of the Minister. During the initial exploration period, it was a requirement of the licence that GSLM complete at least 600 line kilometres of seismic reflection data acquisition and spend a minimum of $2 million on on-ground exploration before June 2001, and thereafter a minimum of $2 million per annum.

On 8 May 2004 the Company submitted an application for the renewal of SEL 13/98. After discussions between the Minister, Mineral Resources Tasmania and the company, the renewal of SEL 13/98 was granted for the period from 18 May 2004 to 30 September 2009. The renewal covers an area of 15,035 square kilometres with the company committed to an expenditure on its exploration program of seismic and drilling of $21.5 million over the five year period. A contingency of the renewal requires that GSLM annually have actual expenditures of at least 80 percent of the cumulative $21.5 million at the end of each twelve month period. Failure to do so will result in revocation of the license.

Detailed planning is underway for the next seismic program to be carried out in the 2004/05 season. This will include further prospect definition work to confirm closure on structures discovered earlier in 2004 together with an extension of the regional program covering southern and eastern areas of the Tasmania Basin.

The exploration objective of GSLM is to discover commercial quantities of oil and gas on onshore Tasmania. GSLM's current exploration strategy is based on an extensive seismic and drilling program involving the acquisition of at least 2000 line kilometres of seismic data, and is designed to:

- determine the extent of the two petroleum systems that have been outlined;
- define potential petroleum targets;
- test potential targets through a drilling program.

On the basis of research carried out mainly in the last five years two petroleum systems have been identified on onshore Tasmania; an Ordovician Early Devonian Larapintine System within the Wurawina Supergroup below the Tasmania Basin and a Permo-Triassic Gondwana System within the Parmeener Supergroup of the Tasmania Basin.

The mainly oil prone Gondwana Petroleum System ("GPS") is considered more prospective than the mainly gas prone Larapintine Petroleum System ("LPS"). Maturation of the GPS increases towards the south of the basin being undermature in the north to possibly overmature for oil in the south whereas reservoir quality increases towards the north. Faulting is much more intense in the southern half than in the northern half of the basin thereby reducing trap size and increasing the risk of seal breaching. Additionally, the centre of the basin has not been uplifted to the extent of areas in the Central Highlands and in the south. GSLM therefore proposes an exploration program that concentrates seismic exploration in the central parts of the Tasmania Basin and also explores the potential of the LPS under the Central Highlands.

To date, GSLM has not drilled seismically defined targets and the company aims to define accurately as many targets as possible before drilling exploration holes. Stratigraphic wells will be drilled in order to increase geological and petrophysical knowledge of what is still a frontier basin. Full details of the exploration activities of GSLM are incorporated in the independent report prepared by A&S dated 9 November 2004 attached as Appendix 4.

3.3 Directors

The current Directors of GSLM are as follows:

Directors

Person	Role
Malcolm Bendall	Executive Director
David Tanner	Executive Director
Clive Burrett	Executive Director, Chief Geologist
Stephen Powell	Non executive Director
Phillip Simpson	Non executive Director
Richard Watson	Non executive Director

Source: 2004 Statutory Accounts

Summarised below is a brief description of each Director:

Malcolm Bendall

Mr Bendall was a founding Director of GSLM and was appointed to the Board of Empire in June 2004 for the purpose of progressing the acquisition of GSLM, including raising capital for both of the constituent companies and preparing for the post acquisition strategies of the merged group. Mr Bendall has been involved in organisations investigating the viability of petroleum resources in SEL 13/98 since 1978. Mr Bendall has worked as a mine manager and drill supervisor and has been published in 2 international petroleum journals, Geochemical and the Australian Petroleum Exploration Association Journal. He is a fellow of the Institute of Company Directors, Tasmania.

David Tanner

Mr Tanner is a Chartered Professional Engineer with a background in mining and civil engineering having worked on major oil, mineral, power and construction projects in Australia and internationally.

He became Exploration Manager for GSLM early in 1997 and Chief Executive Officer from May 1997 until June 2002. He joined the Board as a Director in May 1997.

Clive Burrett

Mr Burrett was a founding Director of GSLM. He was Head of the School of Earth Sciences at the University of Tasmania from 1997 to 2000. He studied petroleum systems in over 20 countries and consulted to oil and gas exploration companies in the middle east, south east Asia and Australia. He has published over 60 scientific papers and edited the Geology and Mineral Resources of Tasmania.

Stephen Powell

Mr Powell is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. Mr Powell took over management of the Hartz Group in 1980.

Phillip Simpsons

Mr Simpson is a founding member of the Tasmanian Abalone Council with 25 years experience in abalone fishery and the management of his family company. He is currently running a marine brokerage business.

Richard Watson

Mr Watson is the Resident Chairman of the Haas Group of Companies (USA). He is Chairman of Directors of Information Solution Works Pty Ltd and a Director of Tassal Limited, Ringwood Pty Ltd and the University of Tasmania Foundation. Mr Watson has had extensive experience as a CEO of a number of companies covering diverse industries and has a strong management technical and marketing background in primary as well as secondary industry which includes the chemical, pharmaceutical, food flavour and insurance industries.

3.4 Capital Structure and Shareholders

At the date of this report, GSLM had 62,426,782 fully paid ordinary shares on issue. There are also 450,000 options at an exercise price of $0.01 expiring on 31 December 2005 and 9,000,000 conditional share options at an exercise price of $1.00 expiring on 30 September 2005.

The issue of 9,000,000 options is conditional on the successful completion of the acquisition by Empire, the extension of the licence over key areas of SEL 13/98 and the securing of additional available funding of at least $15 million before 30 September 2005. If issued, these options will have a term of three years and an exercise price of $1.00. Immediately prior to the issue of the Bidder's Statement, all of the officers of GSLM holding options in GSLM, including the conditional options, entered into an agreement with Empire and GSLM pursuant to which it was agreed as follows:

- None of the options held by the GSLM Directors would be exercised during the period between the date of issue of the Bidder's Statement until the time at which the Offer is closed; and
- Following the successful completion of the acquisition, all GSLM options held by them, including the conditional options, would be cancelled and they would then be issued with an equivalent number of options in Empire upon the same terms and conditions as the GSLM options currently provide for and all of the obligations of GSLM with respect to the options shall become the obligations of Empire.

Outlined in the table below is an analysis of GSLM's Top 20 shareholders at 12 January 2005.

Top 20 Shareholders

Shareholders		Shares	%
1.	Dewberry Enterprises Limited	5,220,000	8.36%
2.	Condor Oil Investments Pty Ltd	3,713,640	5.95%
3.	Bendall, David James <Bendall Family Trust>	3,125,570	5.01%
4.	Cyber Finance Group Limited	2,063,092	3.30%
5.	Terralinna Pty Ltd <Terralinna Executive Superannuation Fund>	1,985,679	3.18%
6.	Maiden Meadows Pastoral Pty Ltd	1,712,560	2.74%
7.	Askin Nominees Pty Ltd	1,536,000	2.46%

Top 20 Shareholders (cont)

Shareholders		Shares	%
8.	Jacometti, Annie <Jacometti Family Trust>	1,531,456	2.45%
9.	Tanner, David Andrew	1,455,296	2.33%
10.	Danlas Pty Ltd <ATF Danlas Pty Ltd Superannuation Fund>	1,428,544	2.29%
11.	Sherman, Rajoo <Blessinco Trust>	1,362,848	2.18%
12.	Cole, Francis Edginton & Cole, Jennifer Ann	1,335,014	2.14%
13.	Orange Investments Pty Ltd <Powell Family Trust>	1,178,000	1.89%
14.	Stuart-Bradshaw, Graeme	1,142,848	1.83%
15.	van der Kooij, Alexander & van der Kooij, Jeanne Ada	1,058,793	1.70%
16.	Logok Pty Ltd	900,224	1.44%
17.	Austral Pacific Limited	896,455	1.44%
18.	Langford, James Andrew	860,000	1.38%
19.	Ernest Hall & Sons Pty Ltd <Superannuation Fund>	857,216	1.37%
20	English Martin	800,000	1.28%
	TOTAL TOP 20 SHARES	**34,163,235**	**54.72%**

Source: GSLM Share Registry

The 20 major shareholders of GSLM own approximately 34.2 million shares or approximately 55 percent of the issued share capital base. GSLM's top 40 shareholders hold approximately 45.2 million shares or approximately 72 percent of the issued share capital base.

GSLM's major shareholders include Mr Bendall, through family entities, Condor Oil Investment, The Bendall Family Trust and LOGOK Pty Ltd. In total Mr Bendall holds approximately 12.4 percent of the issued capital. The Directors of GSLM collectively hold 22.6 percent of GSLM's issued capital. The Chairman, Directors and officers of the company hold all the options in the company. Dewberry Enterprises Limited, a non associated entity, is a major shareholder with 8.4 percent of issued capital.

The spread of GSLM shareholders at 12 January 2005 was:

Shareholder Spread

Number of Shares Held	No of Ordinary Shareholders	No of Shares	%
1 - 1,000	49	46,334	0.1%
1,001 - 5,000	146	509,098	0.8%
5,001 - 10,000	92	773,925	1.2%
10,001 - 100,000	155	6,043,326	9.7%
100,001 and over	87	55,054,099	88.2%
Total	**529**	**62,426,782**	**100.0%**

Source: GSLM Share Registry

The shares in GSLM are closely held with 87 shareholders (16 percent) holding over 88 percent of the shares and the top 20 shareholders holding almost 55 percent of the shares.

Although the company is not listed, there have been a significant number of share trades over the past few years:

Share Trades

	Number of shares	Weighted Average Price
Year ended 30 June 2003	8,300,148	21 cents
Year ended 30 June 2004	3,535,189	18 cents
6 months to 31 December 2004	3,298,977	16 cents

Source: GSLM

These trades are at prices significantly below the share price of shares issued in GSLM via a capital raising in 2002/03 where 1,139,200 shares were issued at a price of $1.00 between July 2002 and August 2003. The decline in share price is likely to be attributable to a shortfall in funds raised, the delay in entering into any transaction to fund further exploration activity, the risk that the licence not be renewed and the ongoing risk that without further funds the licence will be revoked.

3.5 Historical Financial Performance

Set out below is a summary of GSLM's audited consolidated statements of financial performance for the two years ended 30 June 2004 and the unaudited consolidated statements of financial performance for the six months ended 31 December 2004.

Summary of Financial Performance

	2002/03 $'000	2003/04 $'000	6 months to Dec 04 $'000
Revenues from ordinary activities	-	8	15
Exploration and Development Costs	-	93	16
Write off of Capitalised Exploration and Development Costs	-	6,166	-
General, administrative and finance expenses	795	755	331
Expenses from ordinary activities	795	7,014	347
Loss from ordinary activities before income tax expense	(795)	(7,006)	(332)
Income tax expense relating to ordinary activities	-	-	-
Net loss	**(795)**	**(7,006)**	**(332)**

Source: Tax Returns & Annual Financial Reports

The company has not generated any material levels of revenue as the company is still in the exploration stage. Exploration expenditure incurred to date of approximately $6.3 million was fully written off in the 2004 financial year. Other expenses associated with operating the company have decreased. The decrease is primarily attributable to a decrease in travel expenditure and employment costs, which were reduced significantly as a result of the shortage of cash.

3.6 Historical Financial Position

Set out below is GSLM's audited consolidated statement of financial position as at 30 June 2003 and 30 June 2004 and unaudited consolidated statement of financial position as at 31 December 2004.

Financial Position

	Jun 2003 $'000	Jun 2004 $'000	Dec 2004 $'000
Current Assets			
Cash assets	13	12	7
Receivables	70	17	38
Other	147	9	146
Total Current Assets	**230**	**38**	**191**
Non-Current Assets			
Property, plant and equipment	26	21	17
Exploration expenditure	6,166	0	0
Total Non-Current Assets	**6,192**	**21**	**17**
Total Assets	**6,422**	**59**	**208**
Current Liabilities			
Payables	2,586	500	269
Interest-bearing liabilities	4	151	15
Total Current Liabilities	**2,590**	**651**	**284**
Non-Current Liabilities			
Payables	-	2,315	3,176
Interest-bearing liabilities	17	13	-
Total Non-Current Liabilities	**17**	**2,328**	**3,176**
Total Liabilities	**2,607**	**2,979**	**3,460**
Net Assets/(Deficiency in Net Assets)	**3,815**	**(2,920)**	**(3,252)**

Source: GSLM's audited and unaudited financial statements

The financial position of GSLM between 30 June 2003 and 30 June 2004 deteriorated with the company having a deficiency in net assets of $2.92 million. The company also had carry forward tax losses of approximately $10.4 million. Movements during this period include:

- The write down of the exploration expenditure as a result of a change in its accounting policy. The company now expenses all exploration and evaluation expenditure as it is incurred rather than carry it forward.
- An increase in total payables to approximately $2.8 million as a result of a lack of cash. Approximately 50 percent of the total payables are owing to Directors and related entities. A number of creditors, totalling $1.45 million at 30 June 2004, have given an undertaking that they will not take any proceedings to enforce collection of debt existing at 30 June 2004 or debt incurred up to 31 December 2004 before 1 January 2006.
- An increase in interest bearing liabilities to $164,000. The increase is due to loans made by US entities associated with Empire. These loans have subsequently been repaid, primarily with loans made by Empire to GSLM.

In the period 30 June 2004 to 31 December 2004, the deficiency in the company's net assets increased to approximately $3.3 million. Movements during this period include:

- Increases in other assets - these include advances towards acquisition costs, 12 month licence fee paid in advance and a cash advance to Mr Bendall against future expenses.
- Decrease in long term payables - additional funds were received from Empire, entities associated with a Director of the company and from a shareholder. The loan from the shareholder for $30,000 is unsecured at an interest rate of 12.5 percent. All other loans are interest free.

4. PROFILE OF EMPIRE

4.1 Company History

Empire was incorporated in November of 1983 in the state of Utah under the name of Medivest Inc, ("Medivest"). Medivest engaged in various business enterprises and eventually filed for protection under the bankruptcy laws. The company emerged from bankruptcy and had its corporate charter reinstated in 1995 but remained inactive until 1999.

At the time, Peterson & Sons Holding Company acquired control by purchasing a majority of the then outstanding shares of Empire from the majority shareholder. On 17 May 1999, the shareholders of Medivest approved a change of name from Medivest to Empire Energy Corporation and Empire commenced commercial activity in the oil and gas industry.

The company was reorganised with new management with the objective of accumulating oil and gas production and properties at a time when oil and gas prices were at 25 year lows. The primary prospect, at inception, was the opportunity presented in the country of Nicaragua. In the interim, the company began participating in an exploration program in Tennessee and realised its first revenues from that program in late 1999. In November 2000, the company acquired a working interest in a natural gas field in Texas.

On 29 June 2001, the company acquired Commonwealth Energy Corporation ("Commonwealth"), a Canadian company primarily engaged in the acquisition and exploration of petroleum and natural gas properties in the United States. Commonwealth had two wholly owned subsidiaries, Blue Mountain Resources Inc. and Commonwealth Energy (USA) Inc. with production and/or prospects located in the states of Oklahoma, Texas and Wyoming.

During 2001 and 2002 the company experienced liquidity problems related to the Commonwealth merger cost being more than expected and the cost associated with the unsuccessful attempt to establish economic production from the Bedsole No. 1 well in Leon County Texas. As a result, during 2002 the company sold its interest in the Bedsole Unit, the Parker County, Texas properties and the Tennessee production to partially pay liabilities. The company sold the Coleman County, Texas properties in 2003 and continued to own the interest in the Nicaraguan project.

During 2002, the Board of Directors approved a change in the company's direction. The company had generated significant operating losses, experienced continued cash flow challenges, had a depressed share price and was unable to raise either debt or equity capital. The company adopted a plan to dispose of assets to reduce liabilities and merge with a company on terms that would be beneficial to the shareholders.

On 15 July 2002, the Board of Directors unanimously approved the terms and conditions for the acquisition of GSLM, as established in the Letter of Intent dated 9 July 2002 and amended on 10 December 2002 and 16 October 2003. Approval of the company's shareholders was obtained at a shareholders meeting held on 29 March 2004.

On 30 March 2004, after shareholder approval of the proposed transaction was received, all members of the Board of Directors of Empire, except Mr John Garrison, resigned their positions. On 27 May 2004, an agreement was entered into by GSLM and Empire to actively pursue the acquisition. Mr Bendall was appointed to the Board of Directors in June 2004 to assist with the pursuit of the transaction and planning for subsequent activities.

As of 30 June 2004, the company had disposed of its oil and gas properties. In preparation of the Offer, Empire formed a wholly owned subsidiary and transferred all rights and ownership interest in Industria Oklahoma-Nicaragua, S.A., to that subsidiary and subsequently authorised the distribution of the subsidiary's shares to the Empire shareholders of record as of 7 July 2002. Also, in anticipation of the Offer, Empire received shareholder approval of the assignment of certain companies to its then Chairman, Mr Norman Peterson, who agreed to take assignments of the assets and to hold Empire harmless from any lawsuits or claims relating to those assets or his conduct of the company's affairs up to 30 March 2004, with the assignment occurring soon after receipt of shareholder approval.

On 2 July 2004, Empire entered into a merger with Bob Owen & Company, Inc. ("BOCI") with BOCI becoming a wholly owned subsidiary of Empire and all outstanding shares of BOCI capital stock held by its sole stockholder were converted into 100,000 shares of Empire common stock. BOCI was a private, development stage company formed to pursue opportunities for investment in the area of real estate and oil and gas, and had no material assets as of 2 July 2004 other than rights and obligations under and proceeds from debentures issued in conjunction with the merger in accordance with the Convertible Debenture Purchase Agreement dated 2 July 2004. The Convertible Debenture Purchase Agreement is with HEM, an accredited investor located in Minneapolis, Minnesota. Pursuant to the agreement, BOCI sold and issued convertible debentures to HEM in an aggregate principal amount of up to $1 million. Of this amount, $500,000 has been received and primarily loaned to GSLM or used to pay costs of pursuing the GSLM acquisition.

During December 2004 to February 2005, Empire sold 4,980,000 shares of common stock at US$0.10 together with 1,500,000 warrants.

4.2 Capital Structure and Shareholders

On 29 March 2004 Empire shareholders approved the proposal to redomicile the company into the state of Nevada and as part of the redomiciliation to issue one new share of the Nevada corporation for each 10 shares of the old corporation. This change in structure became effective 26 April 2004.

At the date of this report, Empire had 8,775,753 Class A Ordinary Common Stock on issue of 100,000,000 authorised common stock and 106,574 Class B Ordinary Common Stock. The Class B shares have the same rights as the Class A Ordinary Common Stock and will automatically convert to Class A shares upon the request of the holder.

In December 2004 Empire entered into an investment agreement ("Investment Agreement") authorising the issue of 5 million additional shares of Empire common stock at a purchase price of US$0.10 per share to various new Empire shareholders. Under the terms of the Investment Agreement, in the event that the average bid price of Empire's common stock for the 10 days between the 80th and 90th day after the date of the Investment Agreement is not US$1.00 or more, then Empire must issue and deliver to the respective purchasers, pro rata, an additional 50 percent of the common stock issued to these shareholders for no consideration. In the event that this further issue causes Empire to breach its maximum level of authorised shares, then the Investment Agreement provides that Empire must amend its certificate of incorporation to increase its authorised common stock to enable the further issue.

As at the date of this report, 4.98 million shares had been issued under the Investment Agreement and potentially the company will be required to issue a further 2.49 million shares at no consideration. However, clause 4.4 of the Bidder's Statement states that it is the understanding of the Board of Empire that provided the Bidder's Statement was lodged with ASIC on or before 7 March 2005, none of the additional shares for no consideration would be required to be issued.

Further, in August 2002, Owen Enterprises LLC ("Owen") lent US$50,000 to GSLM, followed by a further loan of US$25,000 in December 2002, to provide funding for costs associated with the acquisition. These loans were repaid in July 2004 from proceeds of the convertible debentures sold by Empire and loaned to GSLM. Owen agreed to provide consulting services to both Empire and GSLM in connection with the acquisition in consideration of US$250,000 (of which US$50,000 has been paid from proceeds from the convertible debentures) and 2,534,419 shares of Class A common stock in Empire, which shares are only deliverable upon the success of the acquisition.

Also, in December 2002, P&S Investment Management, Inc. ("P&S") lent US$75,000 to GSLM to provide funding for costs associated with the acquisition. These loans were repaid in July 2004 from proceeds of the convertible debentures sold by Empire and loaned to GSLM. As part of this agreement, P&S will receive 100,000 shares of Class A common stock in Empire following completion of the acquisition.

In addition to the above, the company has on issue 68,464 options in respect of Class A Ordinary Stock, comprising:

- 833 at an exercise price of US$18 with an expiry date of 17 April 2005;
- 10,000 at an exercise price of US$10 with an expiry date of 23 October 2005; and
- 57,631 at an exercise price of US$30 with an expiry date of 19 June 2006.

There are also 2,390,000 warrants outstanding that provide rights to purchase Class A Ordinary Common Stock. The warrants on issue comprise:

- 15,000 at an exercise price of US$7.00 with an expiry date of 6 September 2006;
- 125,000 at an exercise price of US$0.80 with an expiry date of 6 September 2006;
- 1,500,000 at an exercise price of US$0.10, available for exercise on the date the Offer is successfully accepted and closed, with an expiry date of 31 March 2008; and
- 750,000 at an exercise price of US$0.50, available for exercise from 10 October 2005, with an expiry date of 11 October 2009.

The 750,000 warrants relate to warrants issued to Mr Frank W. Bachinsky on 11 October 2004, in consideration of certain consultancy services provided by his company, Avalor Capital, LLC. In the event that the number of Empire shares outstanding exceeds 75 million shares by the earlier of 11 October 2005 or the date that the underlying consultancy agreement is terminated, Mr Bachinsky is entitled to increase the number of shares available to purchase to a number of shares equal to 1 percent of the total shares issued and outstanding (determined on a fully diluted basis). In the event of reorganisation, reclassification, consolidation, merger or sale of all or substantially all of the company's assets where shareholders will receive stock, securities or assets in exchange for their equity interest, the warrant-holder will have the right to exercise and receive the benefits of the distribution commensurate with what he would have received had he been a shareholder at the time of the distribution.

The 20 major shareholders of Empire own approximately 3.35 million shares or approximately 37.8 percent of the current issued share capital base. Outlined in the table below is an analysis of Empire's Top 20 shareholders at 22 February 2005:

Top 20 Shareholders

Shareholders		Shares	%
1.	Michael Portnoy	500,000	5.6%
2.	Norman Lowe	500,000	5.6%
3.	Duane R Ford	250,000	2.8%
4.	Bernard Sullivan	250,000	2.8%
5.	Joseph F Weiderman	250,000	2.8%
6.	Lawrence Swidler	200,000	2.3%
7.	HEM	152,325	1.7%
8.	Michael Fearnow	125,000	1.4%
9.	Theodore A Schwartz	125,000	1.4%
10.	William Barnett	100,000	1.1%
11.	Gary Boyett	100,000	1.1%
12.	A Bradley Joseph	100,000	1.1%
13.	Nancy F Korda	100,000	1.1%
14.	Diane Lawton	100,000	1.1%
15.	Christine Sunda	100,000	1.1%
16.	Sunrise NW Inc / Bob McTavish	100,000	1.1%
17.	Robert E Thibault	100,000	1.1%
18.	Sieg Deckert	91,965	1.0%
19.	Khaled Al-Awar	60,000	0.7%
20.	Walid Alawar	50,000	0.6%
	TOTAL TOP 20 SHARES	**3,354,290**	**37.5%**

Source: Management

Empire's major shareholders include Mr Michael Portnoy and Mr Norman Lowe each with 5.6 percent of the company. Neither of these shareholders are directors of Empire or associated with Empire or GSLM.

The spread of Empire shareholders at 23 February 2005 was:

Shareholder Spread

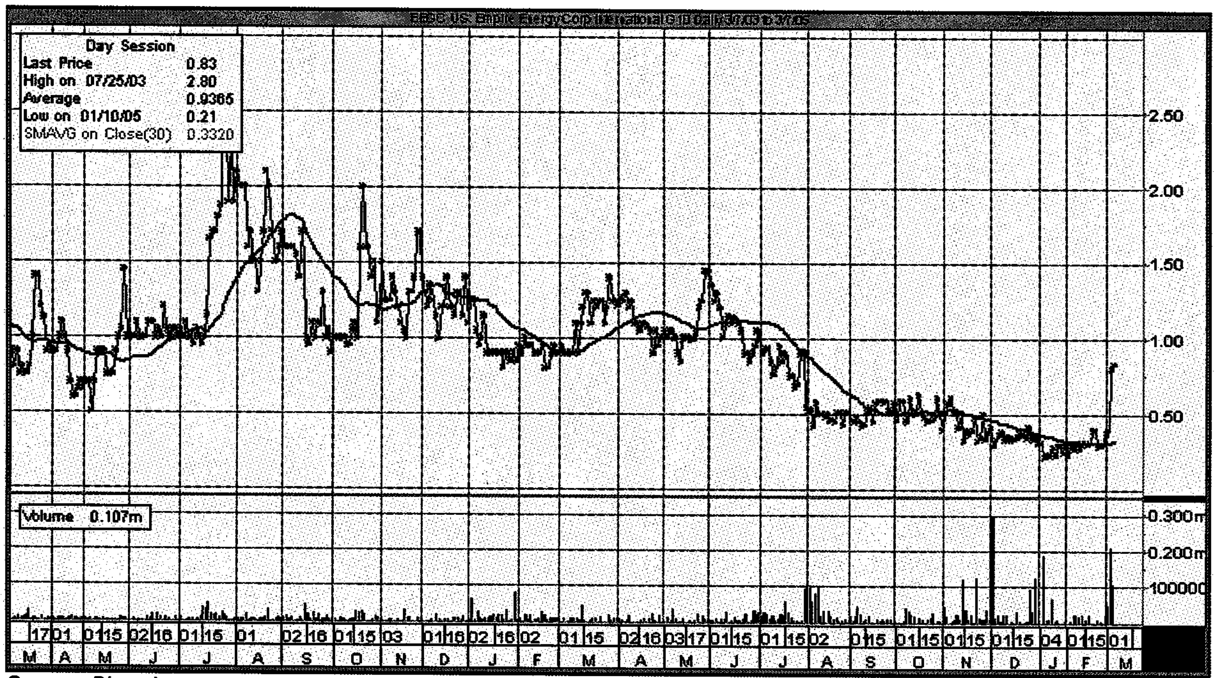
Balance of Shares Held	No of Ordinary Shareholders	No of Shares	%
1 - 1,000	695	54,281	0.62
1,001 - 5,000	46	127,228	1.45
5,001 - 10,000	10	68,815	0.79
10,001 - 100,000	39	2,410,947	27.47
100,001 and over	14	3,644,879	41.53
Cede & Co	n/a	2,469,603	28.14
Total	**804**	**8,775,753**	**100.00**

Source: Management

The shares in Empire are closely held with 53 shareholders (<7 percent) holding 69 percent of the shares and the top 20 shareholders holding almost 38 percent of the shares. The Cede & Co shares represent some shareholders in Empire who have bought Empire shares in the secondary markets or who have placed their shares with a broker and have their ownership reflected on the share register as being held in the street name of Cede & Co. Although Cede & Co is reflected on the share register as being the single largest holder, the Directors of Empire expect that beneficial ownership of the shares is held by numerous other parties.

4.3 OTC Share Performance

Set out below is Empire's OTC monthly share price performance and volumes traded for the last two year to 7 March 2005 inclusive of the volumes traded.



Source: Bloomberg
*– monthly moving average * daily closing price*

Over the past two years, the company's share price has averaged US$0.94 with a peak of US$2.80 in July 2003. Since that date, the share price has declined to as low as US$0.21 in January 2005. The Empire Directors believe the decline in the share price is likely to reflect the lack of current operations and the delay in successfully completing this transaction. In addition, the decline may have been influenced by 700,000 shares issued on conversion of debentures during the later part of 2004, of which 550,000 were onsold. However, since the lodgement of the Bidder's Statement, the shares in Empire have traded at prices of US$0.80 and US$0.83. The Directors of Empire believe that this is

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due to the lodgement of the Bidder's Statement, and the perception that the transaction is finally moving forward.

Volumes traded over the three years to 31 December 2004 and the percentage turnover compared to the number of issued shares at the end of each respective financial year is as follows:

Financial Year	Volume Trade (m)	Issued Capital (m)	Turnover %
2004	3.38	3.17*	107%
2003	1.18	62.16	2%
2002	1.80	57.17	3%

Source: Bloomberg

** restructure of 1 for 10 in April 2004 - majority of volume traded post restructure*

In the 2002 and 2003 calendar years, the company's stock was fairly illiquid with very small volumes of shares sold. In the latter part of the 2004 calendar year, the volume of shares traded increased significantly, possibly due to 700,000 shares issued on conversion of debentures of which 550,000 were onsold, and interest created by apparent progress toward completion of the acquisition.

4.4 Historical Financial Performance

Set out below is a summary of Empire's audited consolidated statements of financial performance for the three years ended 31 December 2004.

Summarised Statement of Financial Performance

	2002 US$'000	2003 US$'000	2004 US$'000
Revenue	71	0	0
General and administrative expenses	628	346	1,578
Impairment of oil and gas properties	8,447	-	-
Expenses	9,075	346	1,578
Loss before income tax expense	(9,004)	(346)	(1,578)
Income tax expense	-	-	-
Net loss	**(9,004)**	**(346)**	**(1,578)**

Source: Audited financial statements

During the above period the company generated no operating revenue as in 2002 it had disposed of the majority of its assets. US$8.447 million of the expenses in 2002 were the result of the write off of the book value of Empire's oil and gas properties acquired in the 2001 Commonwealth acquisition.

The company generated losses by incurring primarily legal, accounting, auditing and consulting expenses required to maintain the corporate existence, pursue the GSLM acquisition and related financing and selling of assets to reduce or settle liabilities.

4.5 Historical Financial Position

Set out below is Empire's audited consolidated statement of financial position as at 31 December 2003 and 31 December 2004.

Summarised Statement of Financial Position	2003 US$'000	2004 US$'000
Current Assets		
Cash assets	3	47
Short Term Investments	2	-
Total Current Assets	**5**	**47**
Total Assets	**5**	**47**
Current Liabilities		
Accounts payable and accrued expenses	378	620
Income tax payable		73
Note payable		34
Convertible Debenture	-	196
Total Current Liabilities	**378**	**923**
Total Liabilities	**378**	**923**
Deficiency in Net Assets	**(373)**	**(876)**

Source: Empire's audited and unaudited financial statements

Assets

Empire loaned approximately US$254,000 to GSLM that remains due to Empire as of 31 December 2004. Because the collection of these advances is uncertain in the event the transaction is not completed, these amounts are not included in the asset value of Empire at 31 December 2004. Collection of these loans will not be pursued during the term of the Offer but remains receivable and will be due if the Offer is not successful. Empire has no other significant assets as at 31 December 2004.

Liabilities

The majority of the accounts payable relates to legal, accounting, auditing and consulting fees incurred to pursue this transaction.

The tax liability relates to the liability of a Canadian subsidiary acquired as part of the 2001 Commonwealth acquisition.

The note payable relates to an amount owed to a third party. The note is in default and has triggered an increase in interest from 10 percent to 18 percent. The note is unsecured.

The Convertible Debenture relates to the liability arising as a result of the merger with BOCI on 2 July 2004 and the assumption by Empire of the rights and obligations under the HEM Agreement. BOCI entered into a Convertible Debenture Purchase Agreement with HEM in anticipation of the merger with Empire and the acquisition of GSLM. Under the HEM Agreement, BOCI sold and issued three convertible debentures to HEM in the aggregate principal amount of US$1,000,000 ("Debentures"). The Debentures are for US$485,000 ("First Debenture"), US$15,000 ("Second Debenture"), and US$500,000 ("Third Debenture"), respectively.

The First Debenture and Second Debenture were issued for gross proceeds of US$500,000 in cash. The Third Debenture was issued in exchange for a promissory note from HEM in the principal amount of US$500,000 but was not funded. Under the terms of the HEM Agreement, BOCI and by its assumption, Empire, placed 50,000,000 shares of common stock in escrow to ensure satisfaction of its conversion obligations (described below). The board of Empire has commercially agreed to reduce the number of shares in escrow to facilitate the completion of the acquisition without potentially resulting in Empire exceeding its authorised capital levels of 100 million common stock. Whilst commercial agreement has been reached, the formal documentation is in the process of being finalised at the date of this report.

First Debenture and Second Debenture:

The aggregate principal amount of US$485,000 and US$15,000 is payable on or prior to 19 May 2009, and bears interest calculated daily at the rate of 1.5% per annum and is payable in cash or common stock, at the option of HEM.

Subject to certain limitations, the unpaid principal amount of the First Debenture and the Second Debenture is convertible into Empire shares of common stock, at the option of HEM, in whole or in part, at any time in accordance with the following conversion ratio:

- For the First Debenture: (outstanding principal amount plus accrued but unpaid interest being converted) *divided by* (the lesser of $1.30 and 100 percent of the average of the 3 lowest closing bid prices, as quoted on the OTC, per share of the Empire common stock during the 40 business days immediately preceding the date of conversion).
- For the Second Debenture: (outstanding principal amount plus accrued but unpaid interest being converted) *divided by* US$0.01.

Third Debenture

The Third Debenture does not accrue interest, is not convertible and is not subject to repayment by Empire unless and until:

a. HEM elects that the Note is to become due and payable and agrees to fund the Third Debenture;
b. a sufficient amount of Empire common stock is held in escrow to cover at least 200 percent of the Empire common stock that would be needed to satisfy full conversion of all unconverted Debentures; and
c. The Note is paid in full by HEM and the Third Debenture is funded.

Subject to the above conditions being satisfied:

d. Subject to (e) below, the aggregate principal amount of US$500,000 is payable on the same date and on the same general terms as the First Debenture and Second Debenture; and
e. subject to certain limitations, the unpaid principal amount of the Third Debenture is convertible into Empire shares of common stock, at the option of HEM, in whole or in part, at any time in accordance with the following conversion ratio: (outstanding principal amount plus accrued but unpaid interest being converted) divided by (the lesser of US$1.625 and 100% of the average of the 3 lowest closing bid prices (as quoted on the OTC) per share of the Empire common stock during the 40 business days immediately preceding the date of conversion).

Limitations on Conversion

The aggregate maximum number of Empire common stock that the Debentures may be converted into is 1,650,000 Empire Shares ("Maximum Conversion"). If any conversion of the Debentures, in whole or in part, would exceed the Maximum Conversion, then Empire, at its option, is to either:

- increase the Maximum Conversion; or
- redeem the unconverted amount of the Debentures in whole or in part at 120 percent plus interest accrued thereon.

There is a further limitation as HEM cannot convert the Debentures if such conversion would result in HEM beneficially owning more than 5 percent of the outstanding Empire Shares. HEM may avoid this limitation, however, by providing Empire with 75 days prior notice of its intention to exceed the limitation.

Empire has the right to redeem the Debentures, in whole or in part, at any time on 30 days advanced notice for 120 percent of the principal amount of the outstanding Debentures being redeemed, plus accrued and unpaid interest. In addition, if at any time any of the Debentures are outstanding, Empire receives debt or equity financing in an amount equal to or exceeding US$5 million in a single transaction or in a series of related transactions, Empire is required to redeem the Debentures for 150 percent of the amount of the then outstanding debentures.

If trading in Empire shares is suspended (and not reinstated within 10 trading days) or the Empire shares are de-listed from the OTC (and not reinstated within 10 trading days), then, at the option of HEM (to be exercised by serving a Redemption Notice), Empire is to redeem all of the Debentures and any Empire shares converted and held by HEM within 7 trading days at an aggregate purchase price equal to the sum of:

- the aggregate market value of the Empire shares held by HEM; plus
- the value of the unconverted Debentures; plus
- interest accruing on the above amounts at a rate of 15 percent per annum accruing from the 7th trading day after the date of the Redemption Notice,

less the amount of the Note if not then paid by HEM.

Until such time that it no longer holds any Debentures, neither HEM nor its affiliates may engage in any short sales of the common stock if there is no offsetting long position in the common stock then held by HEM or such affiliates.

As at 31 December 2004, Empire had included the First and Second Debentures in the balance sheet at an amount of US$196,000. This was calculated as follows:

Debenture

		US$'000
Gross Proceeds from Debentures		500
Less:		
- Beneficial conversion feature		(410)
- fair value of stock issued for debentures		(90)
- principal value of debt converted		(7)
Plus:		
- fair value of stock converted for debt		170
- amortisation discounts	33	
Value of Debentures as at 31 December 2004		**196**

This essentially represents the discounted principal balance of the liability at 31 December 2004. The balance of the liability will increase over the term of the Debentures as an implicit interest expense is recognised and added to the balance. At the end of the term, the financial statement liability will be equal to the face amount due. The beneficial conversion feature recognises the value to the creditor of the ability to convert the debenture to common stock at deeply discounted prices over a period of time.

The Third Debenture is not included in the balance sheet as it has not been funded and is contingent upon the Promissory Note being repaid.

Future Funding

The Directors believe that funding opportunities for Empire will be enhanced if the acquisition proceeds. In the immediate short term, both Empire and GSLM are in need of either debt or equity facilities. Empire has been able to raise some capital in recent months, notwithstanding its poor balance sheet and period of great uncertainty. The Directors of Empire believe that if the acquisition proceeds, this will create an environment of greater certainty for Empire which in turn should result in greater capital raising opportunities.

If the acquisition is completed, the first task of the Directors will be to concentrate on funding opportunities for Empire. In particular, Empire intends to immediately:

- explore the possibility of capital raising with investors who have previously expressed an interest in Empire or the underlying asset of GSLM. In this respect, the original letter of intent was signed between Empire and GSLM in July 2002, so for some time there has been speculation in the market about the proposed acquisition but without the ability for Empire to sell direct interests in Empire on the basis that the acquisition was complete. In this respect and mindful of their legal obligations, the Directors believe that some of the groundwork has already been laid for future funding. This includes possible funding resulting from potential joint venture arrangements which will be sought by Empire following the acquisition;
- consider whether it should seek to obtain further funding under the terms of the Third Debenture having regard to the potential dilutive impact such a decision would have on shareholders of Empire at that time;
- seek to find new potential investors. In this respect, Empire Directors believe they have the opportunity to promote the Tasmanian exploration license in US markets at a time when market interest in energy investments is relatively high; and
- consider applying for quotation on the Alternative Investment Market ("AIM"), operated by the London Stock Exchange which in turn would give it further opportunities for funding through, for example, a potential equity line facility. However, the Directors have not fully assessed whether Empire would meet any prerequisites for quotation on AIM. In this respect, preliminary steps have been undertaken including the retention of UK legal counsel.

5. PROFILE OF THE COMBINED ENTITY

5.1 Pro-forma Financial Position

The unaudited pro-forma historical statement of financial position of the combined entity has been prepared by Empire based on the statement of financial position of Empire as at 31 December 2004 in US$ and the statement of financial position of GSLM as at 31 December 2004 adjusted to US GAAP and US$.

Pro Forma Statement of Financial Position

US$million	Pro-forma
Assets	
Cash assets	180
Accounts Receivable, net	29
Prepaids	114
Property and equipment	13
Oil and gas properties	22,100
Total Assets	**22,436**
Liabilities	
Current liabilities	949
Long term liabilities	2,212
Long term convertible debentures	196
Total Liabilities	**3,357**
Net Assets	**19,079**
Net Assets excluding Minority Interest (assuming 50% acceptance)	**9,234**

Source: Bidder's Statement

The pro forma historical statement of financial position indicates that the company will have net assets in the order of US$19 million assuming 100 percent acceptance. The pro forma statement of financial position records the fair value GSLM's exploration licences based on the number of shares to be issued to GSLM shareholders using the share price of Empire as at 31 December 2004. This amount falls within the range of values ascribed to the exploration licence by A&S. If we were to impute the low and high values ascribed by A&S as opposed to the assessment of consideration based on share price, the net assets would be as follows:

Adjusted Pro Forma Net Assets

31 December 2004	Low US$m	High US$m
Net Assets per above	19,079	19,079
Less oil and gas properties	(22,100)	(22,100)
Plus value of exploration licence*	18,538	24,261
Adjusted net assets	15,517	21,240
Adjusted net assets excluding minority interest (50% acceptance)	7,453	10,314

* *assumed exchange rate of 78cents in accordance with proforma statement of financial position*

The above however is dependent on Empire and/or GSLM obtaining the necessary funding to continue with the exploration. If the funding and subsequent exploration expenditure does not occur within the required timeframe, and GSLM defaults on its conditions of the licence, the licence will be revoked and the licence will have no value. In such circumstances the company will have a deficiency in net assets and going concern issues.

5.2 Equity Position

The number of shares on issue post acquisition on an undiluted basis will be as follows:

Post Acquisition Shares on Issue - Undiluted	Number of Shares 50% acceptance	Number of Shares 100 % acceptance
Empire class A ordinary shares on issue as at 31 January 2005	8,775,753	8,775,753
Empire class B ordinary shares converted to A class	106,574	106,574
Empire shares offered as consideration to GSLM shares	31,213,391	62,426,782
Shares due to Mr Peterson for loan to GSLM in 2002	100,000	100,000
Shares issued to Mr Owen on completion of acquisition	2,534,319	2,534,319
Shares to be issued in accordance with Investment Agreement	2,490,000	2,490,000
Total shares on issue	45,220,037	76,433,428

** Assumed share price below US$1.00*

We have included in the above the potential additional shares to be issued under the Investment Agreement in the event that the average bid price of Empire's common stock for the 10 days between the 80th and 90th day after the date of the Investment Agreement was not US$1.00 or more. As stated previously, it is the understanding of the Board of Empire that provided the Bidder's Statement was lodged with ASIC on or before 7 March 2005, none of the additional shares for no consideration would be required to be issued. As the Bidder's Statement was lodged on 4 March 2005, it would appear that no further shares will need to be issued under the Investment Agreement. However, as the agreement was verbal, we have erred on the side of conservatism and included the shares that may potentially be issued in the table above.

There are also Debentures, warrants and options which if converted or exercised would increase the number of shares on issue post acquisition. Notwithstanding the current share price, for the purpose of this report we have assumed that the warrants and options with an exercise price of US$0.50 or above would not be exercised having regard to the pro-forma adjusted net assets per share as at 31 December 2004.

Post Acquisition Shares on Issue - Fully Diluted	Number of Shares 50% acceptance	Number of Shares 100 % acceptance
Total shares on issues (per above)	45,220,037	76,433,428
HEM Debentures convertible at US$0.01	800,000	800,000
HEM Debentures convertible at US$0.21*	2,309,524	2,309,524
Warrants @ US$0.10	1,500,000	1,500,000
Empire options issued to GSLM option holders	450,000	450,000
	50,279,561	81,492,952

* Debentures convertible at the lesser of $1.30 and 100 percent of the average of the 3 lowest closing bid prices, as quoted on the OTC, per share of the Empire common stock during the 40 business days immediately preceding the date of conversion. Empire estimated this to be US$0.21. With the share price having recently increased, the number of shares issued on conversion is likely to be less than included in the table above.

5.3 Pro-forma Net Assets Per Share

The pro-forma net assets per share as at 31 December 2004 both on an undiluted and fully diluted basis would be as follows:

Pro-forma Net Assets Per Share - Undiluted	50 % Acceptance		100% Acceptance	
	Low	High	Low	High
Net Assets (US$'000)	7,453	10,314	15,517	21,240
Total shares on issue	45,220,037	45,220,037	76,433,428	76,433,428
Net Assets per share undiluted	US$0.16	US$0.23	US$0.20	US$0.28
Net Assets per share undiluted *	A$0.21	A$0.29	A$0.26	A$0.36

** A$1:US$0.78*

Pro-forma Net Assets Per Share - Diluted

	50 % Acceptance		100% Acceptance	
	Low	High	Low	High
Net Assets (US$'000)	7,453	10,314	15,517	21,240
Reduction in liabilities on conversion of debentures (US$'000)	196	196	196	196
Cash from exercise of warrants ** (US$'000)	126	126	126	126
Cash from exercise of options** (US$'000*)	3	3	3	3
Adjusted Net Assets (US$'000)	7,778	10,639	15,842	21,565
Total shares on issue - fully diluted	50,279,561	50,279,561	81,492,952	81,492,952
Net Assets per share fully diluted	US$ 0.15	US$0.21	US$0.19	US$0.26
Net Assets per share fully diluted*	A$0.19	A$0.27	A$0.24	A$0.33

** A$1:US$0.78*
*** Assumed exercised at expiry date - amount represents net present value of cash*

The above does not have regard to the Third Debenture to HEM. As at the date of this report Empire has not met the requirements to draw on, and has no balance drawn against, the Third Debenture. Further, if it had drawn against the Third Debenture, it would be unable to convert the Third Debenture into shares as at the date of this report as it would not have satisfied the requirement of having a closing per share bid price of US$1.30 or more for 30 consecutive days trading. Consequently we have disregarded the Third Debenture in calculating the fully diluted net assets per share.

We reiterate that the above is dependent on Empire and/or GSLM obtaining the necessary funding to continue with the exploration. If the funding is not obtained and GSLM defaults on its conditions of the exploration licence, the exploration licence will be revoked and will have no value to GSLM. In such circumstances there will be a deficiency in the net assets per share.

6. VALUATION METHODOLOGY

6.1 Overview

In establishing the market value of GSLM and the market value of Empire we have considered common market practice and the valuation methodologies recommended by ASIC PN 43 regarding valuation reports by independent experts including:

- market based methodologies;
- discounted cash flow method; and
- asset based methods.

6.2 Market Based Methodologies

Market based methodologies estimate the value of a company by comparing the subject company to companies which have been sold or whose ownership interests are publicly traded. Market based methods include:

- Capitalisation of future maintainable earnings; and
- Analysis of a company's recent share trading history.

The capitalisation of future maintainable earnings method capitalises future maintainable earnings using an appropriate multiple. In order to apply this method it is necessary therefore to estimate future maintainable earnings and determine the capitalisation rate most appropriate to those earnings having regard to multiples derived from market transactions involving comparable companies.

The recent share trading history has regard to trades in the subject entity's own equity as well as alternative offers that have been or are likely to be made. This methodology should only be utilised where there is an informed and liquid market.

6.3 Discounted Cash Flow Method

The Discounted Cash Flow Method has regard to the expected future economic benefits discounted to present value. This is considered appropriate where a forecast of future cash flows can be made with a reasonable degree of certainty.

6.4 Asset Based Methodologies

Asset based methodologies determine the value of the shares having regard to the market value of the underlying assets and liabilities thereof. This approach includes the following methodologies:

- orderly realisation method;
- liquidation method; and
- net assets on a going concern basis.

The orderly realisation method has regard to the amount that would be distributed to shareholders on the assumption that the entity would be liquidated with the funds realised from the sale of its assets, after payment of all liabilities including realisation costs and taxes, being distributed to shareholders.

The liquidation method is based on the same principles except that in the orderly realisation method, the assets are realised in an orderly manner, whereas, the liquidation method assumes that the assets are sold within a shorter time frame.

The net assets method on a going concern basis estimates the market value of the net assets of a company not taking into account realisation costs.

6.5 Selection of Approach & Methodology

We have estimated the market value of the GSLM shares having regard to both the net assets methodology on a going concern basis ("net assets method"), incorporating the value of SEL13/98, and the share market price.

In selecting the net assets method we have taken into account the following:

- GSLM does not currently generate any earnings;
- the net assets method is the most commonly applied methodology of valuations in the exploration sector;
- applying this method provides an assessment of the full underlying value of a GSLM share; and
- the net assets method results in estimating GSLM's equity on a 100 percent control basis, which is consistent with the basis of assessment.

However, because of the risk associated with the need for capital, it is likely that the above methodology will overstate the current value of GSLM. We have therefore also had regard to the price of recent trades in GSLM shares.

We have estimated the market value of the Empire shares having regard to the share market price of Empire. In selecting this methodology, we have taken the following into account:

- it is common market practice to value shares offered as consideration in a takeover by reference to their share market price;
- the value of an Empire share can only be realised by trading that share on the OTC and the share price represents the cash equivalent of the Offer for GSLM shareholders; and
- at the date of this report, Empire has no operations, no assets other than loans to GSLM and some liabilities.

We have also had regard to the value of Empire based on its pro-forma net assets post acquisition.

7. MARKET VALUE OF GSLM

7.1 Valuation Methodology

As stated in Section 6.5, PKF Corporate has assessed the market value of GSLM's shares based upon the net assets method and its share market price.

7.2 Net Assets Method

The net assets method has regard to the likely value of equity to shareholders by determining the value of a company's operational and surplus assets on a going concern basis. In applying this methodology, we have reviewed the unaudited consolidated statement of financial position of GSLM at 31 December 2004 and considered:

- the market vale of SEL 13/98 as assessed by A&S; and
- the value of any other assets and liabilities not included above as represented by their book value as at 31 December 2004.

The table in Section 7.3 sets out the adjusted net asset position of GSLM after restating assets and liabilities to market value.

7.3 Adjusted Net Assets

Summarised below is GSLM's unaudited consolidated statement of financial position at 31 December 2004, being the latest available statement of financial position, adjusted to incorporate the market value of assets and liabilities:

Adjusted Net Assets

	Net Assets 31 Dec 2004 A$'000	Adjustments Low A$'000	Adjustments High A$'000	Value Low A$'000	Value High A$'000
Assets					
Cash assets	7	-	-	7	7
Receivables	38	-	-	38	38
Other	146	-	-	146	146
Property, plant and equipment	17	-	-	17	17
SEL 13/98	0	23,763	31,100	23,763	31,100
Total Assets	**208**	**23,763**	**31,100**	**23,971**	**31,308**
Liabilities					
Payables	3,445	-	-	3,445	3,445
Interest Bearing Liabilities	15	-	-	15	15
Total Liabilities	**3,460**	**-**	**-**	**3,460**	**3,460**
Net Assets/(Deficiency in Net Assets)	**(3,252)**	**23,763**	**31,100**	**20,511**	**27,848**

The above net assets were adjusted to reflect the market value of exploration licence SEL 13/98. SEL 13/98 has been independently valued by A&S in the range of $23.763 million to $30.1 million based on the Multiple of Exploration Expenditure. A full copy of the valuation report is attached as Appendix 4.

Having regard to the above, we are of the opinion that the adjusted net assets of GSLM are in the order of A$20.511 million to A$27.848 million

We note however that the above value can potentially only be realised provided the company receives funds to cover the conditions in the exploration licence renewal which requires cumulative mandatory expenditure of $4,272,800 by 30 September 2005, $6,688,800 by 30 September 2006, $10,528,000 by 30 September 2007, $15,752,000 by 30 September 2008 and $17,200,000 by 30 September 2009. Failure to spend these sums will result in revocation of the exploration licence.

As the company does not have funds, the only way of realising value is to raise funds to carry on the exploration as the exploration licence cannot be sold separately. Consequently, the value of the shares would essentially be nil as the company would have a deficiency in net assets. In such circumstances, it would be possible for the company to sell the shell however such proceeds would be utilised to pay the creditors which are in excess of any amounts that would be received for the shell. The value attributable to the shareholders in such circumstances would be nil.

7.4 Value of Equity

The value derived per share based on the net assets method is as follows:

Value Per Share - GSLM

	Low	High
Equity value (A$'000)	20,511	27,848
Number of shares	62,426,782	62,426,782
Approximate value per share (rounded)	**A$0.33**	**A$0.45**

The above value range assumes the company is able to raise capital to continue with exploration such that the exploration licence is not revoked. There is a risk that the company will not be able to obtain funding and therefore the exploration licence could be revoked. Because of this risk, we are of the opinion that the value of a GSLM share is likely to be less than that derived using an asset based approach.

We have therefore had regard to recent trades in the company's shares and recent capital raisings. The company's shares have traded at a weighted average price of 16 cents over the past six months, with a low of 10 cents to a high of 20 cents for high volume trades. This compares to a weighted average price of 18 cents in the year ended 30 June 2004 and 23 cents in the year ended 30 June 2003.

This is below the value derived using an asset basis, however, in our opinion, this reflects the significant risk that if the company is unable to raise funds, the exploration licence will be revoked and the company will have little, if any, value.

Having regard to the above in our opinion the value of the shares in GSLM should be based on recent share trades in the range of A$0.10 to A$0.20, adjusted for a control premium of 15 percent. The control premium is based on the median control premiums for exploration companies over the past six months. This derives a value range of A$0.12 to A$0.23 per share on an undiluted basis.

There are currently 450,000 options on issue at an exercise price of $0.01 expiring on 31 December 2005 and 9,000,000 conditional share options on issue at an exercise price of $1.00 expiring on 30 September 2005. As stated previously, immediately prior to the issue of the Bidder's Statement, all of the officers of GSLM holding options in GSLM, including the conditional options, entered into an agreement with Empire and GSLM pursuant to which it was agreed as follows:

- None of the options held by the GSLM Directors would be exercised during the period between the date of issue of the Bidder's Statement until the time at which the Offer is closed; and
- Following the successful completion of the acquisition, all GSLM options held by them, including the conditional options, would be cancelled and they would then be issued with an equivalent number of options in Empire upon the same terms and conditions as the GSLM options currently provide for and all of the obligations of GSLM with respect to the options shall become the obligations of Empire.

For the purpose of valuing the shares on a fully diluted basis pre acquisition, we have had regard to the 450,000 options only. If these options were exercised, the value range of A$0.12 to A$0.23 per share does not change.

We have disregarded the 9,000,000 conditional options as these are conditional on the successful completion of the acquisition by Empire, the extension of the licence over key areas of SEL 13/98 and the securing of additional available funding of at least $15 million before 30 September 2005. Furthermore, given the exercise price of the options compared to the value of the shares, we have assumed that these options would not be exercised.

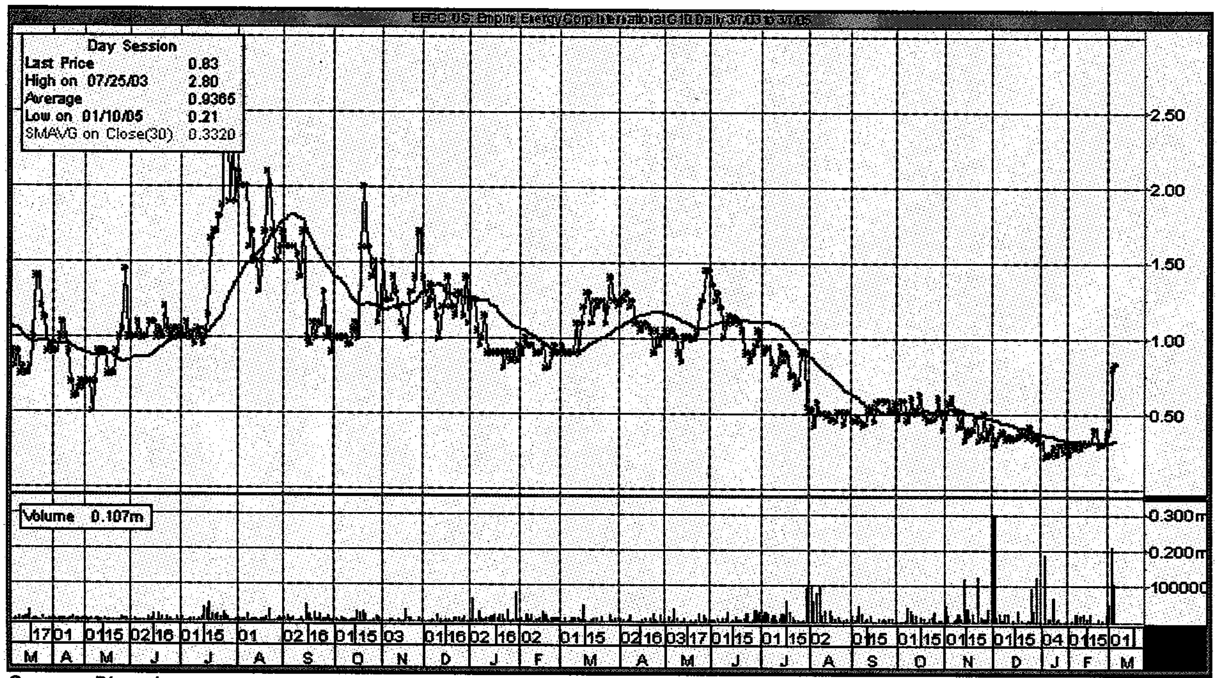
8. MARKET VALUE OF EMPIRE

8.1 Valuation Methodology

As stated in Section 6.5, PKF Corporate has assessed the market value of Empire's shares based upon its share market trading, having regard to the net assets of Empire post acquisition.

8.2 Empire Share Market Trading

We have considered the share market trading of Empire on the OTC in our analysis. Empire's volume weighted average share price on the OTC for the two years to 7 March 2005 is shown in the table below:

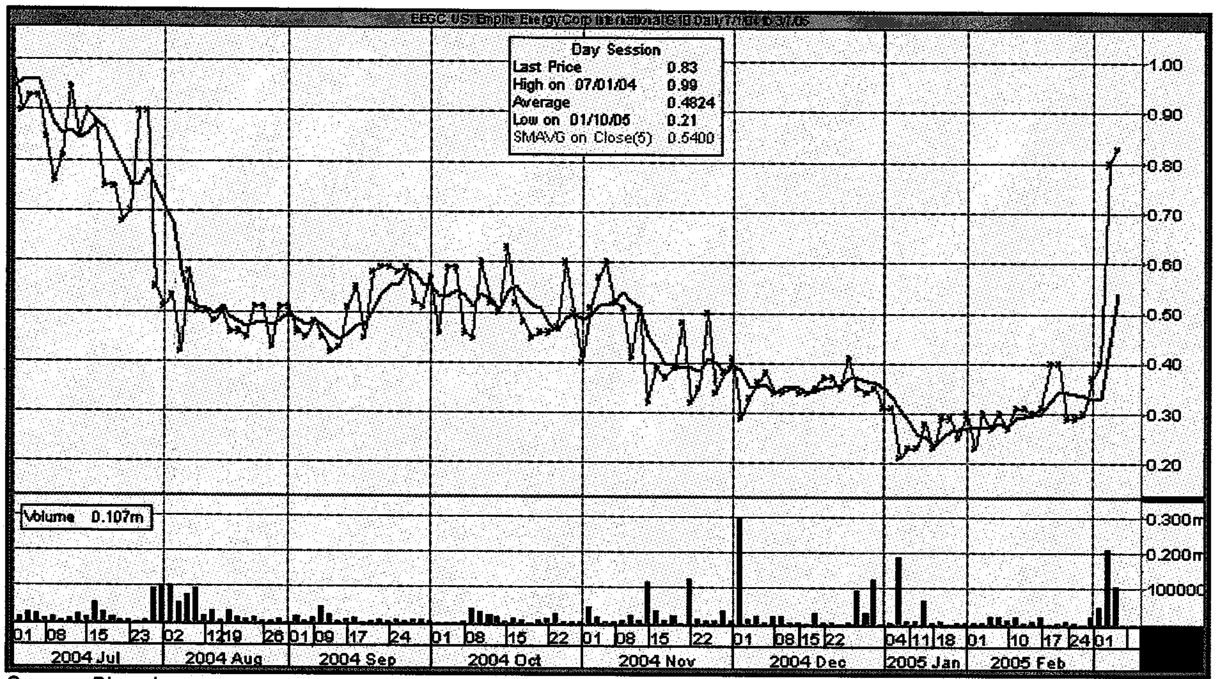


Source: Bloomberg
*– monthly moving average * daily closing price*

Over the past two years, the company's share price averaged US$0.94 with a peak of US$2.80 in July 2003. Since that date, the share price has declined to as low as US$0.21 in January 2005. The decline in the share price is likely to reflect the lack of current operations, the going concern issues and the delay in successfully completing this transaction.

However, since the lodgement of the Bidder's Statement, the shares in Empire have traded at prices of US$0.80 and US$0.83. The Directors of Empire believe that this is due to the lodgement of the Bidder's Statement, and the perception that the transaction is finally moving forward. For the purpose of our analysis, we have focused on the share trading in the period since the merger of Empire with BOCI in July 2004 to 7 March 2005.

PKF



Source: Bloomberg
*– monthly moving average   * daily closing price*

Following a continued decline in share price to approximately US$0.50 in July, the share price traded between US$0.40 to US$0.60 over the period of August to October, however the number of trades were low. November had a higher volume of trades with the share price trading between US0.30 and US$0.50 in the latter part of the month. A significant number of shares were sold early December at around US$0.30 with trades for the month averaging around US$0.35.

Also in December, Empire undertook a capital raising to provide funds to continue with the acquisition. The capital raising was undertaken at a price of US$0.10 per share above, with 4,980,000 shares issued. Attached to these shares is an Investment Agreement which requires that in the event that the average bid price of Empire's common stock for the 10 days between the 80th and 90th day after the date of the Investment Agreement is not US$1.00 or more, then Empire must issue and deliver to the respective purchasers, pro rata, an additional 50 percent of the common stock issued to these shareholders for no consideration. As the share price is unlikely to reach US$1 or more within that date, this implies an effective share price of US$0.07 cents per share. Clause 4.4 of the Bidder's Statement states that it is the understanding of the Board of Empire that provided the Bidder's Statement was lodged with ASIC on or before 7 March 2005, none of the additional shares for no consideration would be required to be issued.

As stated earlier, the share price dropped to a low of US$0.21 in early January 2005 and continued to trade between US$0.21 and US$0.30 during January and February 2005.

However, as previously mentioned, since the lodgement of the Bidder's Statement, the shares in Empire have traded at prices of US$0.80 and US$0.83. The Directors of Empire believe that this is due to the lodgement of the Bidder's Statement, and the perception that the transaction is finally moving forward.

The above provides a significant range in value of Empire shares based on share trades, ranging from US$0.07 to US$0.10 based on recent capital raisings to a range of US$0.21 to as high as US$0.83 based on market trades. This makes it very difficult to determine a value based on share price history, particularly given the company has no operations, has a deficiency in shareholder funds and does not currently have any significant funds or financiers committed to providing funds other than HEM. Prima facie the company has no value other than its value as a shell. However, the company's shares continue to trade, and therefore there is a market for the shares and a market value, with that value likely to reflect speculation as to the value of GSLM.

In our opinion, the value of the Empire shares is likely to be in the range of US$0.21 to US$0.28. In arriving at this opinion we have ignored the recent capital raising which is likely to have been issued at a discount in order to raise sufficient funds to enable the acquisition to proceed. We have also ignored the recent spike in share price as a price of US$0.80 to US$0.83 is not supported by fundamentals. This price is significantly above Empire's pro-forma net assets per share calculated in Section 5.3 of this report of US$0.20 to US$0.28 cents inclusive of the value ascribed to SEL 13/98 by A&S and does not take into account the risks attached to the shares. In our opinion it is too early to determine whether the price at US$0.83 is sustainable or representative of the price at which trades are likely to continue.

Having regard to the above, we are of the opinion that the market price of an Empire share is likely to be in the order of US$0.21 to US$0.28 cents per share based on share trades and the pro-forma net assets per share of Empire post acquisition. Adopting an exchange rate of A$1 to US$0.78 cents results in a value per share in the range of A$0.27 to A$0.36 per share.

We note that the company has Debentures, options and warrants on issue which may have a dilutive impact on the share price if exercised. Those most likely to have a dilutive impact are the conversion of:

- 1,500,000 warrants exercisable at a price of US$0.10,
- 450,000 options to be issued to GSLM shareholders exercisable at a price of US$0.01; and
- Second Debenture at an exercise price being US$0.01.

The exercise of the warrants and options has the potential to reduce the share price by US$0.01 per share on a fully diluted basis to a range of US$0.20 to US$0.27. Adopting an exchange rate of A$1 to US$0.78 cents results in a value per share in the range of A$0.26 to A$0.35 per share.

9. EVALUATION & CONCLUSION ON OFFER

9.1 Fairness

In assessing whether the Offer is fair, we have had regard to the following:

- the estimated market value of the shares in GSLM;
- the estimated market value of the shares of Empire pre acquisition;
- pro-forma net assets of Empire post acquisition; and
- the fairness of the Offer by comparing the market value of the Empire shares being offered to the value of the shares in GSLM.

9.2 Assessment of Fairness

We have compared our assessment of the market value of a GSLM share, on a control basis, with the value of the consideration being offered by Empire and the pro-forma net assets of Empire assuming the Offer is successful. This is set out in the table below:

Comparison of Value

	Report Section	Low Undiluted	High Undiluted	Low Diluted	High Diluted
Value of a GSLM share	Section 7	A$0.12	A$0.23	A$0.12	A$0.23
Value of Offer consideration per GSLM share pre acquisition	Section 8	A$0.27	A$0.36	A$0.26	A$0.35
Pro-forma net assets					
- based on 50% acceptance	Section 5	A$0.21	A$0.29	A$0.19	A$0.27
- based on 100% acceptance	Section 5	A$0.26	A$0.36	A$0.24	A$0.33

We have assessed the value of a GSLM share in the range of A$0.12 to A$0.23 on an undiluted basis and on a fully diluted basis. As we have assessed the value of the Offer to be greater than the value of a GSLM share, it is our opinion that the Offer is fair.

9.3 Reasonableness of the Offer

In assessing the reasonableness of the Offer, we have had regard to the following factors:

Funding

In accordance with the renewed exploration licence, GSLM is required to spend A$21.5 million in exploration expenditure, as previously detailed. GSLM does not have the funds to carry out this level of expenditure nor has it been able to raise such funds. The Directors believe the merged group will have greater access to the enhanced capital raising opportunities of an OTC quoted company, facilitating the funding required for the exploration activities of GSLM.

If the acquisition is completed, Empire intends to immediately:

- explore the possibility of capital raising with investors who have previously expressed an interest in Empire or the underlying asset of GSLM. In this respect, the original letter of intent was signed between Empire and GSLM in July 2002, so for some time there has been speculation in the market about the proposed acquisition but without the ability for Empire to sell direct interests in Empire on the basis that the acquisition was complete. In this respect and mindful of their legal obligations, the Directors believe that some of the groundwork has already been laid for future funding. This includes possible funding resulting from potential joint venture arrangements which will be sought by Empire following the acquisition;

- consider whether it should seek to obtain further funding under the terms of the Third Debenture having regard to the potential dilutive impact such a decision would have on shareholders of Empire at that time;
- seek to find new potential investors. In this respect, Empire Directors believe they have the opportunity to promote the license in US markets at a time when market interest in energy investments is relatively high; and
- consider applying for quotation on AIM, operated by the London Stock Exchange which in turn would give it further opportunities for funding through, for example, a potential equity line facility. However, the Directors have not fully assessed whether Empire would meet any prerequisites for quotation on AIM. In this respect, preliminary steps have been undertaken including the retention of UK legal counsel.

However, as at the date of this report, no firm commitments have been obtained from any financier other than the Promissory Note/Third Debenture with HEM. The risk therefore remains that if funds are not able to be raised to continue with the exploration program and to meet the exploration commitments, the licence will be revoked. If this occurs, Empire will continue to have going concern issues until further significant new capital is raised and is at risk of having to seek recourse to one of the forms of insolvency administration provided for under the US Bankruptcy Code. This would have a significant downward impact on the value of the Empire shares.

Furthermore, if Empire is required to drawdown on its Third Debenture to meet its expenditure requirements, and the Third Debenture is converted into shares, the on-sale of these shares on the open market could cause a dramatic decline in the price of the Empire shares and substantially increase the number of shares in the market. This would dilute a GSLM shareholder's interest in Empire and could decrease the per share value of the Empire share received in the Offer. This could also occur if Empire or GSLM is unable to raise funds and redeem the First Debenture and Second Debenture.

Notwithstanding the above, should the Offer not proceed, it is unlikely that GSLM will be in a position to fund the exploration expenditure. The consequence of this is that the exploration licence will be revoked and GSLM will no longer have any material assets. The net asset value of a GSLM share would be nil and it would be unlikely that GSLM shareholders would be able to realise any value for their shares.

In our opinion the above factor alone deems the Offer reasonable, as it provides GSLM shareholders an opportunity to raise the necessary capital to continue exploration and provides it with the opportunity to potentially realise its underlying value which has been assessed in Section 5 of this report, based on the pro-forma net assets of Empire as at 31 December 2004, in the range of A$0.26 to A$0.36 on an undiluted basis and A$0.24 to A$0.33 on a fully diluted basis. This is not possible under the current GSLM structure given no alternative proposals have been put forward or are expected to be put forward for funding and consequently the licence would ultimately be revoked.

Empire's Existing Holding & Other Significant Holdings

Empire does not currently own any of the issued capital of GSLM. There are no other significant holdings that are likely to act as a deterrent against alternative acquirers making a takeover offer for all of GSLM or putting forward an alternative proposal. However, as stated above, no alternative proposal has been put forward or is expected to be put forward.

Liquidity of the Market

GSLM is not listed on any stock exchange. The Offer results in GSLM shareholders holding shares in Empire, a company listed on the OTC. Whilst this is not an exchange, this is likely to improve the liquidity of the holdings of the individual shareholders. In the year ended 31 December 2004, Empire had traded 107 percent of its shares compared to GSLM which had traded less than 10 percent of its shares.

However, whilst the shares trade below US$5.00 per share, the shares are considered 'penny stock' and are subject to SEC rules and regulations that impose limitations upon the manner in which these shares can be publicly traded. These regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the associated risks. These regulations have the effect of limiting the trading activity of Empire's common stock and reducing the liquidity of an investment in Empire common stock.

Furthermore, a limited number of the Empire shares being issued as consideration under the Offer are 'restricted securities'. Empire Energy is in the process of applying for the registration of these securities and is pursuing this matter with the SEC with the intention of ensuring their registration as soon as is reasonably possible. However, there is the risk that the SEC could either delay or refuse the registration of the Empire securities, meaning that they will continue to be restricted for a period of 12 months following the conclusion of the Offer and shareholders will not be able to trade these securities on the OTC until the conclusion of this 12 month period. Notwithstanding this restriction, shareholders will be entitled to privately transfer Empire shares within Australia provided they are not a "US Person" as defined in Regulation S of the Securities Act of 1933.

Exchange Rate Risk

GSLM shareholders accepting the Offer will be exposed to exchange rate risk as the price of Empire shares will be affected by the price of shares on the OTC which in turn will be influenced by the US$/AUD exchange rate.

Tax Losses

GSLM currently has approximately A$10 million in tax losses. The takeover by Empire should not impact on the ability to utilise the tax losses in the future provided that the "same business test" rules were satisfied.

Other Taxation Considerations

The taxation implications of acceptance of the Offer will vary according to particular circumstances of the individual GSLM shareholders and will also vary depending on the number of shareholders accepting the Offer. Clause 11 of the Bidders Statement discusses the taxation implications of the Offer. We have not considered the taxation implications for individual shareholders. Consequently GSLM shareholders should seek independent taxation advice.

Having regard to the above factors, in our opinion the Offer is reasonable.

9.4 Conclusion

In our opinion, based on the foregoing, the Offer is fair and reasonable.

APPENDIX 1: QUALIFICATIONS AND DECLARATIONS

The report has been prepared at the request of the Independent Directors of GSLM and is to be included in the Target's Statement to be given to shareholders for consideration of the Offer in accordance with Section 640. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Target's Statement in their assessment of the Offer outlined in the report and should not be used for any other purpose.

The report represents solely the expression by PKF Corporate of its opinion as to whether the Offer is fair and reasonable in relation to Section 640. PKF Corporate consents to the inclusion of this report in the Target's Statement.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, PKF Corporate has relied upon the information provided by the directors and management of GSLM and Empire. PKF Corporate does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to management of GSLM and Empire for confirmation of factual accuracy.

Recognising that PKF Corporate may rely on information provided by GSLM and its officers and/or associates, GSLM has agreed to make no claim by it or its officers and/or associates against PKF Corporate to recover any loss or damage which GSLM or its associates may suffer as a result of that reliance and also has agreed to indemnify PKF Corporate against any claim arising out of this engagement, except where the claim has arisen as a result of any proven wilful misconduct or negligence by PKF Corporate.

PKF Corporate is the licensed corporate advisory division of PKF and is wholly owned by the partners of that firm. PKF is a chartered accounting firm providing a full range of accounting and advisory services.

The employees of PKF Corporate principally involved in the preparation of this report were Piera Murone, B.Acc, CA., ASIA and David Garvey, B.Comm (Hons), CA. Each person is a representative of PKF Corporate and has many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Neither PKF Corporate, PKF, nor any partner or executive or employee thereof has any financial interest in the outcome of the Offer except for a fee relating to the preparation of this report based on time spent at normal professional rates. The fee is payable regardless of the outcome of the Offer.

In the preparation of this report, PKF Corporate engaged the services of A&S. The personnel of A&S principally involved in the preparation of the report was Mr Ian Buckingham, Managing Director of A&S. Mr Buckingham holds an MBA from RMIT University, Bachelor of Applied Science (Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology. Mr Buckingham is a member of PESA and AAPG.

APPENDIX 2: FINANCIAL SERVICES GUIDE

This Financial Services Guide is issued in relation to the Independent Expert Report ("the report" or "our report") prepared by PKF Corporate which is included in the Target's Statement relating to the proposed acquisition by Empire of all of the fully paid ordinary shares in GSLM on the basis of one Class A Empire share in consideration for one GSLM share ("the Offer").

Financial Services Guide

As a result of our report being provided to you we are required to issue to you a Financial Services Guide ("FSG"). The FSG includes information on the use of general financial product advice and so as to comply with our obligations as holder of an Australian Financial Services Licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence - Licence No: 255377;
- the basis on which we, or our staff or any associates are remunerated in connection with the services provided;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to carry on a financial services business to provide general product financial product advice for securities to retail and wholesale clients.

Our report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our report because of your connection with the matters on which our report has been issued.

Our report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

Our report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of the Offer from the one adopted in our report. Accordingly, individuals may reach different conclusions on whether or not the Offer is fair and reasonable.

An individual's decision in relation to the Offer may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that we may receive

We have charged fees for providing the report. The basis on which our fees will be determined have been agreed with, and will be paid by, the person who engaged us to provide the report. Our fees have been agreed on a fixed fee basis.

Except for the fees referred to above, neither PKF Corporate, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of our report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKF Corporate or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our report was provided.

Referrals

We do not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

PKF Corporate is the licensed corporate advisory arm of PKF Melbourne, Chartered Accountants and Business Advisers. The directors of PKF Corporate are also partners in PKF Melbourne, Chartered Accountants and Business Advisers.

PKF Melbourne, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKF Corporate's contact details are as set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisory Services (Vic) Pty Limited, Level 11, 485 La Trobe Street, Melbourne NSW 3000.

On receipt a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical.

If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Industry Complaints Service ("FICS"). FICS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKF Corporate is a member of FICS. FICS may be contacted directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
Melbourne VIC 8007
Toll free: 1300 78 08 08
Facsimile: (03) 9621 2291
Email: www.fics@fics.asn.au

APPENDIX 3: SOURCES OF INFORMATION

In the preparation of this report we have had regard to the following information:

- Bidders Statement dated 4 March 2005;
- GSLM tax returns for the years ended 30 June 2001 to 30 June 2003;
- Audited financial statements of GSLM for the four years ended 30 June 2004;
- Unaudited financial statements of GSLM for the six months ended 31 December 2004;
- Correspondence regarding the renewal of SEL 13/98;
- GSLM shareholder register as at 12 January 2005;
- Details of share trades of GSLM for the two years ended 30 June 2004 and for the six months ended 31 December 2004;
- Independent report prepared by A&S dated 9 November 2004;
- Announcements by Empire to its shareholders;
- Annual report of Empire for the years ended 31 December 2002 and 2003;
- Audited financial statements of Empire for the year ended 31 December 2004;
- Letter of intent between Empire and GSLM together with first and second amendments to that letter of intent;
- Executed merger agreement between Empire and GSLM; and
- Convertible Debenture Purchase Agreement dated 20 May 2004.

In addition to the above, we have had discussions with the Independent Directors of GSLM and Empire.

APPENDIX 4: A&S REPORT