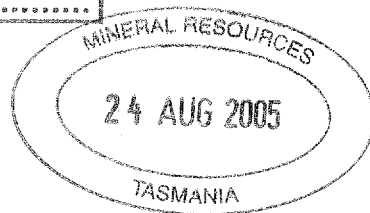


SEE LETTER
23/8/05

RECORDS
FILE NO SEL13/98

OPEN FILE



GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

DIRECTORS' REPORT

STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENTS OF FINANCIAL POSITION

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INDEPENDENT AUDIT REPORT

MINERAL RESOURCES		
FILE NO	SEL13/98	DOC REF
24 AUG 2005		
OFFICER	FOR ACTION	FOR INFO
See folio 29A		

05_5227B Vol. 2 of 2

Financial Report for the year ended 30 June 2004

Great South Land Minerals Limited*

Arton SEL13/1998

GREAT SOUTH LAND MINERALS LIMITED

DIRECTORS' REPORT

Your Directors present their report on the Company for the financial year ended 30th June 2004.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr Malcolm Bendall	Chairman - Executive
Mr David Tanner,	Executive Director
Dr Clive Burrett,	Executive Director
Mr Stephen Powell,	Non - Executive Director
Mr Phillip Simpson,	Non - Executive Director
Mr Richard Watson,	Non - Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year was exploration for and development of sub-surface hydrocarbons in Tasmania.

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

OPERATING RESULTS

Operating loss after providing for income tax was \$7,006,422 bringing accumulated losses at the end of the year to \$10,236,593.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or recommended during the financial year or to the date of this report.

REVIEW OF OPERATIONS

Exploration and Development Activities - SEL 13/98

Great South Land Minerals Limited has completed the suspension of the stratigraphic well, Hunterston #1. The rig and associated equipment has been removed from the well site and the area rehabilitated to the satisfaction of the landowner by the drilling contractor, OME Drilling Pty Ltd.

The planned seismic program, TB-02, has been reviewed and revised to take into account the updated seismic interpretations that became available during the year.

GREAT SOUTH LAND MINERALS LIMITED

Research ARC – Linkage Program on SEL 13/98

In 2001 the Australian Federal Government, through the Australian Research Grants Scheme awarded the University of Tasmania and Great South Land Minerals Limited a \$417,000 three year Research and Development Grant to study the Petroleum Systems in Tasmania. This Grant will enable a team of University and GSLM geo-scientists to develop a computer model for the geological tectonic and fluid flow evolution of Central Tasmania for the last 500 million years.

Under the ARC Strategic Partnership in Industrial Research and Technology (SPIRT) grant that matches the Federal government funding with industry cash and in-kind contributions, the Commonwealth undertook to provide \$417,166 with GSLM to make further contributions.

As at 30th June 2004, GSLM had contributed a total of \$290,707.78, and the University of Tasmania had reported a total expenditure of \$502,850.80.

Research carried out during the year is summarised below.

PhD candidate Andrew Stacey has finished a review of the structural history of Tasmania and has assessed the structural history and palaeogeography of potential petroleum fairways. His analysis included an interpretation of the main seismic lines within the Tasmania Basin and used seismic velocities obtained from a down-hole seismic survey carried out at Hunterston #1.

PhD candidate Jubo Liu continues to model petroleum generation in the Tasmania Basin. He has completed fluid flow modelling of an east-west seismic line, TB01-ST, from the central highlands to east of Tunbridge using the program PetroMod2. Results show that hydrocarbons are easily generated and reservoirised in considerable quantities in this model when reasonable initial conditions based on measured and calculated geological parameters are input. Mr Jubo Liu earlier completed modelling of the Tertiary Longford Basin using Mr Paul Lane's interpretations of GSLM's seismic data. He has shown that, as expected, the basin is not deep enough to have provided maturation temperatures for indigenous source rocks. However, the presence of seismic turbidity, near the crest of the Bracknell Anticline, within a porous Tertiary sandstone sequence, may suggest the presence of petroleum migrated from the Gondwanan or older petroleum systems. Such migration may account for the gas found in three wells drilled in the Tertiary of northern Tasmania.

PhD candidate Alan Chester continues studying the pre-Tasmania Basin Larapintine Petroleum System. He has calculated the original TOC of Gordon Group limestone from present-day remnant TOC at a peak of 5.5%, which indicates very good original source potential. Mr Alan Chester has concluded a study on hydrocarbon generation and migration near Zeehan, western Tasmania. He concluded that there is potential within the Upper Permian Cygnet Coal Measures for hydrocarbon generation to occur as evidenced by the remnant bitumen and oil/gas inclusions found near Zeehan. This work again demonstrates that the Gondwanan petroleum system has operated onshore Tasmania and indicates potential for other hydrocarbon reservoirs being present.

Dr Catherine Reid has finished her final review of the petroleum potential of the Tasmania Basin. She has finished summaries of the stratigraphic evolution of the Tasmania basin and its contained Gondwana petroleum systems. As well she has completed a series of basin case studies based on the Hunterston DDH, the Styx Valley and Tunbridge Tier DDH.

In addition two Honours candidates have worked on the potential of petroleum systems onshore Tasmania. John Bedi completed his assessment of the reservoir and source rock potential of the Upper Permian Supergroup-Tasmania Basin and Kate Bromfield is currently studying the Jurassic sediments at Lune River, southern Tasmania.

GREAT SOUTH LAND MINERALS LIMITED

All work to date has confirmed and enhanced the prospectivity of both the Gondwana and Larapintine Petroleum Systems onshore Tasmania.

Coal Bed Methane Program

No progress has been made on the coal bed methane exploration or development program during this year. The status of coal bed methane rights onshore Tasmania is outlined in "Tasmania Exploration Joint Venture" below.

Tasmania Exploration Joint Venture

On 10 May 2002 the company signed a contract with OME Resources Australia P/L (OMERA) by which OMER A was able to earn a joint venture interest in SEL 13/98 by conducting drilling and related work. The agreement between GSLM and OMER A set up the Tasmania Exploration Joint Venture (TEJV).

Stage 1 of this work required the expenditure of \$1,000,000 prior to 30 September 2002 to complete the drilling / coring of Hunterston #1 and other activities for a 5% interest in the licence.

As at 30 September 2002 GSLM recognised that OMER A had expended \$663,536 on on-ground exploration. OMER A contended that expenditure incurred to 30 September 2002 amounted to approximately \$1,216,956. The expenditure figure of \$663,536 has been submitted to Mineral Resources Tasmania as partial fulfilment of GSLM's licence obligations.

Management and OMER A attempted to resolve this dispute by negotiation and mediation. OMER A referred the dispute by letter dated 18 February 2003 to the Registrar of Mines who referred the dispute to the Mining Tribunal (MT). The MT made various procedural directions regarding the conduct of the MT proceedings before OMER A advised the court that the parties had reached agreement to resolve the dispute between them. The resolution was dependent upon the registration of revised interests in SEL 13/98 and both parties lodged the necessary requests with Mineral Resources Tasmania. OMER A requested that the matter be adjourned while Mineral Resources Tasmania processed the requests.

Following legal advice and consideration of commercial costs by your directors, an agreement was entered into with OMER A on 8 August 2003. Your directors considered it necessary, to minimise costs and time, to resolve the claims by OMER A in respect of work carried out for a consideration that is deemed acceptable.

OMER A has completed the suspension of Hunterston #1 and the rehabilitation of the site has been accepted by the landowner.

Corporate Matters

The Company has signed a letter of intent with Empire Energy Corporation International (EEGC), formerly known as Empire Energy Corporation (EECI), dated 9 July 2002 and amended 10 December 2002 and 1 May 2003. In the letter of intent EEGC agreed to offer to all the shareholders of GSLM to acquire their entire shareholdings. Additional shares in EEGC will be issued to GSLM shareholders such that GSLM shareholders will hold 95% of EEGC. In order for the deal to move forward EEGC must be cleared of all assets and most liabilities and a formal offer made to all GSLM shareholders. EEGC in their most recent quarterly report to 30 June 2004 (issued 17 September 2004) advise that their shareholders have approved the acquisition of GSLM. As of 30 June 2004, EEGC has disposed of the major portion of its oil and gas properties. Prior to closing, EEGC will transfer all rights and ownership interest in Industria

GREAT SOUTH LAND MINERALS LIMITED

Oklahoma-Nicaragua SA. In anticipation of the merger with GSLM all other assets have been sold or assigned to Norman Peterson, the former CEO of EEGC.

On 27 May 2004, the Company signed an agreement with Empire Energy Corporation International (EEGC) whereby both companies agreed to use their best endeavours to implement the proposed acquisition of GSLM and achieve 100% ownership of GSLM by EEGC.

During the year an entity associated with a director of the company has advanced \$890,028 to enable sort term funding obligations to be met. At 30 June 2004 this entity was owed \$814,546. These advances are unsecured, are not repayable before 1 June 2006 and to date have been interest free.

During the period from 1 July 2003 until 1 August 2003, the closing date of the Offer and Information Statement the Company raised an amount of \$246,800, and issued 246,800 shares on 1 August 2003. A total of \$1,139,200 was raised pursuant to this Offer and a total of 1,139,200 ordinary shares were issued by the company.

AFTER BALANCE DATE EVENTS

Exploration Licence Renewal

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 through to 30 September 2009.

The renewal, signed on 28 October 2004, covers an area of 15,035 square kilometres with the Company committed to an expenditure on its exploration program of seismic and drilling of \$21,500,000 over the five-year period.

Exploration Activity

The Company commissioned Terratek Petroleum Consultants Pty Ltd to prepare a summary seismic interpretation. This interpretation report was submitted to Mineral Resources Tasmania on 1 December 2004.

Working Capital Facility

From time to time the Company requires funding for short-term needs that since 1 July 2003, have been supplied by an entity associated with a director. Since 1 July 2004 that entity has provided funding amounting to \$173,000 to the company. These advances are unsecured, are not repayable before 1 June 2006 and to date have been interest free.

Merger with Empire Energy Corporation International (EEGC)

The Company is committed to doing all in its power to enable the merger with EEGC to be implemented. The Company has engaged solicitors, accountants and independent experts to prepare the necessary documentation including this financial report. The Company is aware of a number of avenues that are being pursued by EEGC to raise funds once the merger has been completed.

Joint Venture – OMERA

On 8 August 2003, and following legal advice, the Company entered into an agreement with OMERA to settle the dispute and end the joint venture agreement.

GREAT SOUTH LAND MINERALS LIMITED

As part of this agreement the Company agreed to surrender the right to explore for coal bed methane over the area of SEL 13/98. On 1 August 2004 the Minister for Mines granted OMERA an exploration licence for coal bed methane, SEL 32/2003.

The Company prepared a contract to give effect to the agreement reached on 8 August 2003 that has been signed by both GSLM and OMERA. (Refer Note 18)

Trade Creditor Debenture

A certain trade creditor was secured by a charge over the assets of the company. The maximum prospective liability secured is \$1,000,000. On 10 January 2002 a default notice was served on the company by this creditor. The amount due to this creditor had been reduced to \$79,734.61 at 30 June 2004. The creditor agree to settle the remaining debt for a reduced sum. On 19 July 2004 Empire Energy Corporation International (EEGC) paid \$59,197.07 to the creditor and is currently arranging for the debenture to be re-assigned to EEGC. The sum of \$79,734.61 is now recorded as an account payable to EEGC.

FUTURE DEVELOPMENTS

The 2004/2009 Program has been identified, documented and budgeted. Detailed planning is underway for the next seismic program to be carried out in the 2004/2005 season. This will include further prospect definition work to confirm closure on structures discovered earlier this year, together with an extension of the regional program covering southern and eastern areas of the Tasmania Basin.

The initial period of the licence SEL 13/98 expired in May 2004, and the Company lodged an application to extend the licence for a further five-year period. The licence was renewed for the period from 18 May 2004 to 30 September 2009.

Funding

The Company is seeking to raise funding to meet the \$21,500,000 exploration expenditure commitment through its merger with Empire Energy Corporation International (EEGC) followed by the issue of share capital or through the raising of loan funds.

Discussions have been held with a Singapore based entity that has indicated a strong interest in GSLM's oil and gas exploration project. The entity is in the process of securing funding that could be offered to GSLM. The exact terms and conditions of this transaction are yet to be discussed.

The Company is aware of a number of avenues that are being pursued by EEGC to raise funds both immediately and once the merger has been completed. These avenues include:

- The issue of convertible debentures to the value of US\$1,000,000 to HEM Mutual Assurance LLC. To date convertible debentures worth US\$500,000 have been issued. From these funds EEGC has loaned US\$202,134.03 to GSLM.
- The sale to accredited investors of US\$500,000 of its 10% promissory notes together with a warrant to purchase 50,000 shares of EEGC Class A common stock at the exercise price of US\$0.20 per share for each \$10,000 promissory note purchased. To date two promissory notes to the value of US\$20,000 have been purchased. From these funds EEGC has loaned US\$17,000 to GSLM.
- Frank Bachinsky is reported to have invested US\$20,000 in Empire Energy. Frank has indicated that he is interested in investing further funds in GSLM's project.

GREAT SOUTH LAND MINERALS LIMITED

- EEGC has agreed with GEM Global Yield Fund (GGYF) to establish an equity line of credit to provide EEGC with up to £150,000,000 to finance the exploration for oil and gas in the Tasmania Basin located in Tasmania, Australia.
- Chris Brown, of the GEM fund, has agreed to make approximately US\$210,000 available to Empire before completion of the merger.
- Noble Trenham, of First Global Securities, has indicated that he intends to make US\$200,000 available to EEGC.
- David Owen, a significant shareholder in EEGC, has reported that Lee Tawes, of New York, has an interest in investing in GSLM's project on completion of the merger process.
- Dr Bob Davies has reported that he has funds available to invest in GSLM's project. He had also indicated a willingness to raise funds after successful completion of the merger with Empire Energy.
- Cornell Capital are interested in investing a significant amount in GSLM's project after successful completion of the merger with Empire Energy.
- EEGC has retained a law firm to assist the company with an application to obtain a listing on the London AIMS market. EEGC intends to proceed with a £28,000,000 offering of its common stock on the AIMS market subject to completion of the GSLM merger.

ENVIRONMENTAL ISSUES

The Company's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Tasmania. As at the date of this report the directors are not aware of any issues that would give rise to any non-compliant environmental matter.

INFORMATION ON DIRECTORS

Mr Malcolm Bendall, Chairman

Age 46

Mr Bendall was a founding Director of Great South Land Minerals Limited. Mr Bendall has published in an international petroleum journal and worked as a mine manager and drilling supervisor. He is a Fellow of the Institute of Company Directors Tasmania.

Shareholding at the date of this report – 7,906,096 ordinary shares through Condor Oil Investment, The Bendall Family Trust and LOGOK Pty Ltd.

Mr David A Tanner

Age 58

Mr Tanner is a Chartered Professional Engineer with wide experience in the mining, construction and energy industries. He became Exploration Manager for GSLM early in 1997 and joined the Board as a director and CEO in May 1997. He is a Member of the Institution of Engineers, Australia and a Fellow of the Australian Institute of Company Directors.

Shareholding at the date of this report – 1,455,296 ordinary shares.

Dr Clive F Burrett

Age 57

Dr Burrett was a founding Director of Great South Land Minerals Limited. He was Head of the School of Earth Sciences at the University of Tasmania from 1997 to 2000.

Shareholding at the date of this report - 565,632 ordinary shares.

GREAT SOUTH LAND MINERALS LIMITED

Mr Stephen Powell

Age 52

Stephen Powell is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. The commercial operation in Prince of Wales Bay, Glenorchy is best known for its Hartz Mineral Waters. He took over management in 1980, and has expanded operations into Australian and export markets. The group has won numerous industry awards, including New Exporter of the Year.

Shareholding at the date of this report – 1,472,400 ordinary shares through RR & SM Powell (Holdings) Pty Ltd and Orange Investments (Powell Family Trust).

Mr Phillip Simpson

Age 54

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.

Shareholding at the date of this report - 2,495,679 ordinary shares in the name of Terralina Pty Ltd (Terralina Executive Superannuation Fund & Phillip Simpson Family Trust)

Mr Richard Watson

Age 72

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. He was previously a director of the Australian Institute of Company Directors, Saltas Pty Ltd, Seafish Tasmania, the Tasmanian Chamber of Commerce and Industry Inc and President of the Australian Institute of Company Directors Tasmania 1995-8.

Shareholding at the date of this report - 403,200 ordinary shares in the name of R J & S F Watson (Watson Superannuation Fund).

Directors' and Executive Officers' Emoluments

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

The remuneration structure for executive officers, including executive directors, seeks to emphasise payments for results through providing incentives, whilst ensuring charges remain within the financial capacity of the company.

The emoluments of each Director and executive officer are as follows :

	Salary	Consultancy Fees	Other	Total
Directors				
M R Bendall	Nil	Nil	Nil	Nil
D A Tanner	Nil	Nil	Nil	Nil
C F Burrett	Nil	Nil	5,315	5,315
S Powell	Nil	Nil	Nil	Nil
P Simpson	Nil	Nil	Nil	Nil

GREAT SOUTH LAND MINERALS LIMITED

R Watson	Nil	Nil	Nil	Nil
Executive Officer				
R Tabor	Nil	\$223,423	Nil	\$223,423

MEETINGS OF DIRECTORS

During the financial year, a total of 18 meetings of directors were held.

Attendances were as follows:

	<u>Number of Meetings Eligible to Attend</u>	<u>Meetings Attended</u>	<u>Meetings via Telephone</u>
M Bendall	18	13	10
C F Burrett	18	14	0
S Powell	18	18	2
P. Simpson	18	16	3
D A Tanner	18	13	0
R Watson	18	18	2

AUDIT COMMITTEE

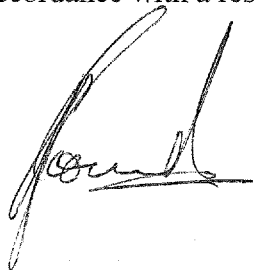
The company is not of a size nor are its financial affairs of such complexity to justify a separate Audit Committee of the Board of Directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

INDEMNIFYING OFFICERS OR AUDITORS

During or since the end of the financial year the company has not given an indemnity or entered into an agreement to indemnify or pay or agree to pay insurance premiums.

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

S Powell
Director



D A Tanner
Director



Dated this *twenty third* day of December 2004

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 30th JUNE 2004

	<u>NOTE</u>	30/06/04 \$	30/06/03 \$
Revenues from ordinary activities		8,480	42
Administrative Expenses		293,751	311,936
Consultant Fees		198,215	85,108
Depreciation and Amortisation Expenses		8,861	10,906
Employment Costs		84,458	148,861
Exploration & Development Costs		6,240,787	-
Interest		116,156	27,235
Legal Costs		21,074	69,165
Occupancy Expenses		24,000	24,000
Printing & Stationery		19,211	48,375
Travel Expenses		8,389	69,953
Total Expenses		<u>7,014,902</u>	<u>795,539</u>
Loss from ordinary activities before			
Income Tax expense	2	7,006,422	795,497
Income tax expense relating to			
ordinary activities		<u>0</u>	<u>0</u>
Total changes in equity from non - owner related			
transactions attributable to the members of			
the company		<u>7,006,422</u>	<u>795,497</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL POSITION
AS AT 30th JUNE 2004

	<u>NOTE</u>	30/06/04 \$	30/06/03 \$
<u>CURRENT ASSETS</u>			
Cash Assets	12(a)	11,840	13,165
Receivables		16,453	69,586
Other	13	9,390	146,893
TOTAL CURRENT ASSETS		<u>37,683</u>	<u>229,644</u>
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	11(a)	21,287	25,632
Exploration Expenditure	11(b)	-	6,166,092
TOTAL NON CURRENT ASSETS		<u>21,287</u>	<u>6,191,724</u>
TOTAL ASSETS		<u>58,970</u>	<u>6,421,368</u>
<u>CURRENT LIABILITIES</u>			
Payables	10	499,709	2,586,068
Interest bearing liabilities	15	150,655	4,362
TOTAL CURRENT LIABILITIES		<u>650,364</u>	<u>2,590,430</u>
<u>NON-CURRENT LIABILITIES</u>			
Payables	10	2,315,674	-
Interest bearing liabilities	15	12,814	16,562
TOTAL-NON CURRENT LIABILITIES		<u>2,328,488</u>	<u>16,562</u>
TOTAL LIABILITIES		<u>2,978,852</u>	<u>2,606,992</u>
NET ASSETS		<u>(2,919,882)</u>	<u>3,814,376</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL POSITION AS AT 30th JUNE 2004

	<u>NOTE</u>	30/06/04 \$	30/06/03 \$
<u>EQUITY</u>			
62,426,782 Shares (2003: 62,158,054)			
Contributed Equity	7	7,316,711	7,044,548
Accumulated Profit (Losses)	14	<u>(10,236,594)</u>	<u>(3,230,172)</u>
TOTAL EQUITY		<u>(2,919,883)</u>	<u>3,814,376</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE 2004

	30/06/04	30/06/03
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunded	98,278	104,429
Interest Received	-	2
Borrowing Costs	(4)	(33,826)
Payment to suppliers and employees	(1,081,518)	(1,203,933)
Net Cash used in Operating Activities	12(b) (983,244)	(1,133,328)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(4,518)	-
Net Cash used in Investing Activities	(4,518)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Raising costs	-	(183,201)
Net Proceeds from borrowings	739,700	281,293
Proceeds from issue of shares	246,800	1,028,764
Repayments of borrowings	-	(5,000)
Net Cash provided by Financing Activities	986,500	1,121,856
Net Increase (Decrease) in Cash held	(1,325)	11,472
Cash at Beginning of Year	13,165	1,693
Cash at End of Year	12(a) 11,840	13,165

The accompanying notes form part of and should be read in conjunction with these financial statements

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30th JUNE 2004**

NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

b) Going Concern

The financial report is prepared on a going concern basis. However significant uncertainties exist in relation to conditions that cast doubt upon the company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the company;
- Uncertainties in terms of the ability to generate cash flows in the future considering that production operations have not yet commenced;
- Extensive commitments for expenditure under the company's key mineral exploration licence; and
- Current liabilities of \$650,364 and current assets of \$37,671 including cash or cash equivalents of \$ 11,840.
- Current liabilities as of 23 December 2004 were \$274,274.
- The exploration licence SEL 13/98 has been renewed effective 1 October 2004, and has strict mandatory cumulative expenditure requirements 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 without which the licence will be revoked.

The company has planned the following activities and the following activities exist to address the above going concern issues:

- The directors have reviewed their short-term cash flow requirements and consider that the company has or has access to sufficient funds to meet the financial obligations of the company.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

These include:

- Advances received since 1st July 2004, from entities associated with a director of the company, totalling \$173,000. Negotiations are underway with that same entity, for additional funding.
- Advances received since 1 July 2004 from Empire Energy Corporation International (EEGC) totalling US\$219,134.03. These advances are recorded as totalling \$313,349.02. Negotiations are underway with EEGC for further advances totalling US\$500,000.
- Discussions have been held with a Singapore based entity that has indicated a strong interest in GSLM's oil and gas exploration project. The entity is in the process of securing funding that will be offered to GSLM. The exact terms and conditions of this transaction are yet to be discussed.
- A number of entities with shareholdings in excess of 2,000,000 shares have expressed a willingness to raise funds for the Company by selling shares at a discounted price to other investors and then making the funds available to GSLM as an unsecured loan at an interest rate of 12½%. To date \$30,000 has been loaned to the Company on this basis.
- Declarations from key creditors (which represented \$2,315,674 of the current liabilities as at 30 June 2004) that proceeding to enforce collection of debt will not be undertaken before 1 January 2006 in respect of all relevant debts incurred up to 30 June 2004;
- The directors have reviewed the cash flow requirements necessary to meet the company's exploration expenditure commitments and consider that the following actions will ensure that the company has access to sufficient funds.

These include:

- In May 2004 an agreement was signed with EEGC committing both companies to use their best endeavours to implement and bring about the proposed merger of the two companies. The Company has engaged solicitors, accountants and independent experts to prepare the necessary documentation including this financial report.
- The Company is aware of a number of avenues that are being pursued by EEGC to raise the funds necessary to meet the \$21,500,000 exploration expenditure commitment once the merger has been completed. These avenues include the issue of share capital and the raising of loan funds.

c) Exploration Costs

Exploration costs incurred in the search for oil and gas are expensed as they are incurred. Exploration operations in the area of interest are continuing. The area of interest is known as the Tasmania Basin and the company holds current rights to tenure over any discovered reserves pursuant to Special Exploration Licence 13/98.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

Significant amounts have been expended to complete this work. Drilling to date has shown traces of natural gas and oil but not in commercial quantities. The seismic program completed in 2001 has shown evidence of major structures capable of containing significant reservoirs of commercial petroleum.

This information shows promise and accordingly continued exploration by the company is considered essential.

d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

g) Taxation – Note 4

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

h) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(f).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

i) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amount of receivables approximates fair value.

j) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

k) Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

l) Payables – Note 10

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

The carrying amount of accounts payable approximates net fair value.

m) Cash assets and bank overdrafts – Note 12

Cash assets including cash equivalent assets and bank overdraft are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets approximates net fair value.

n) Change in accounting policy

Effective this financial year the company changed its accounting policy relating to the Exploration and Evaluation expenditure incurred. The company now expenses all exploration and evaluation expenditure as it is incurred rather than carry it forward as the directors believe this change will improve the relevance and reliability of the company's financial report.

The financial effect of this change has been to charge all expenditure incurred on exploration and evaluation to the Statement of Financial Performance. A total of \$6,166,092 shown as an asset in the 2003 Financial Report has been written off in the Statement of Financial Performance in the current year.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

	30/06/04	30/06/03
	\$	\$

NOTE 2 – OPERATING LOSS FROM ORDINARY ACTIVITIES

(a) Expenses

Operating loss from ordinary activities before income tax has been determined after:

Depreciation of Non Current Assets	8,861	10,906
Interest paid to other parties	116,156	25,992
Rental expense relating to operating leases	24,000	24,000

(b) Revenue

Revenue from outside operating activities	8,339	42
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(c) Significant Expenses

The following expense items are relevant in explaining the financial performance

Write-off of exploration and evaluation expenses relating to prior accounting periods and resulting from change in accounting policy	6,166,092	-
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NOTE 3 – AUDITORS REMUNERATION

Audit services		
Auditors of the company		
- For 2003 year	80,227	55,250
- For 2004 year	70,000	-
Other services		
KPMG related practices	-	7,132
	<u>150,227</u>	<u>62,382</u>

NOTE 4 – TAXATION

The amount of income tax attributable to the financial year differs from the prima facie amount calculated on the operating loss. The differences are reconciled as follows:

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

	30/06/04 \$	30/06/03 \$
<u>NOTE 4 – TAXATION (cont.)</u>		
Operating loss before income tax	(7,006,422)	(795,497)
Prima facie income tax benefit at 30% (2003: 30%)	(2,101,927)	(238,649)
Tax effect of temporary differences	(293,400)	(117,360)
Tax effect of permanent differences:	1,849,828	-
Non deductible expenditure	-	151
Future income tax benefit relating to tax losses not brought to account	<u>545,499</u>	<u>355,858</u>
Income tax benefit attributable to operating loss	<u>0</u>	<u>0</u>

The Directors estimate that the potential future income tax benefit at 30 June 2004 in respect of revenue and exploration tax losses not brought to account is:

2,387,276	1,849,828
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The Company is taxed as a public company. The benefit of tax losses will only be obtained if:

- a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) the Company continues to comply with the conditions for deductibility imposed by the law;
- c) and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

NOTE 5 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions not more favourable than those available to other parties unless otherwise stated.

Transactions with related parties :

(a) Directors and Director Related Transaction

- (i) A number of directors of the company or their director related entities hold positions in other entities that result in them in having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 5 – RELATED PARTY TRANSACTIONS (cont.)

		30/06/04	30/06/03
		\$	\$
Director	Transaction		
DA Tanner	Consulting	0	109,920
MR Bendall	Rental	24,000	24,000
MR Bendall	Consulting	0	270,000
 (ii) Loans from Directors			
	Directors' unsecured interest free loans at call to the company.	0	10,500
 (iii) Working Capital Facility			
From time to time the Company requires funding for short term needs which are supplied by an entity associated with a director. Since 1 July 2004 that entity has provided funding amounting to \$173,000 to the company. These advances are unsecured and to date have been interest free. At 30 June 2004, the company owed this entity an amount of \$814,546.			
 (iv) Guarantees			
Two directors of the company have personally provided joint and several guarantees, on behalf of the company, in favour of Mineral Resources of Tasmania (MRT), the government body responsible for the activities of the company. This guarantee is for a total of \$75,000, and relates to future rehabilitation costs that may arise in respect of the licence.			
 (b) From 1 July 2003 to 30 June 2004 no share issues were made to Directors or Director Related Entities.			
 (c) From 1 July 2003 to 30 June 2004 the following share options issues were made to Directors, Director Related Entities and officers of the company. These options are valid until 31 December 2005 and may be exercised at a price of \$0.01.			
Name	Position	Number of Options	
MR Bendall	Chairman	50,000	
C Burrett	Director	50,000	
S Powell	Director	50,000	
P Simpson	Director	50,000	
D Tanner	Director	50,000	
R Watson	Director	50,000	
K Gumley	Company Secretary	50,000	
A Steel	Accountant	50,000	
R Tabor	Chief Executive Officer	50,000	
		450,000	

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 5 – RELATED PARTY TRANSACTIONS (cont.)

- (d) From 1 July 2003 to 30 June 2004 the following conditional offers of share options were made to Directors, Director Related Entities and officers of the company. The issue of any of these options is conditional on the successful completion of the merger with Empire Energy Corporation International, 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 31 December 2004. If issued these options will have a term of three years and an exercise price of \$1.00.

Name	Position	Number of Options
MR Bendall	Chairman	6,000,000
C Burrett	Director	600,000
S Powell	Director	400,000
P Simpson	Director	400,000
D Tanner	Director	400,000
R Watson	Director	400,000
K Gumley	Company Secretary	400,000
R Tabor	Chief Executive Officer	400,000
		<u>9,000,000</u>

NOTE 6 - DIRECTORS' REMUNERATION

Directors Income	30/06/04	30/06/03
	\$	\$

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$0 - \$9,999	1	0
\$20,000 - \$29,999	1	0
\$100,000 - \$109,999	0	1
\$290,000 - \$299,999	0	1

Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.

<u>29,315</u>	<u>403,920</u>
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Retirement Benefits

No retirement benefits have been paid to directors.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 7 - CONTRIBUTED EQUITY

Issued and paid up capital	30/06/04	30/06/03
	\$	\$
62,426,782 Ordinary Shares (2003: 62,158,054) fully paid	<u>7,316,711</u>	<u>7,044,548</u>

	Price	30/06/04 Shares	30/06/04 \$	30/06/03 Shares	30/06/03 \$
Balance at the beginning of the year		62,158,054	7,044,548	57,174,165	6,505,409

Shares Issued Cash

01/08/2003	1.00	246,800	246,800		
Period 8/8/02 to 30/6/03	1.00			1,028,764	1,028,764

Shares Issued – Exploration Expenditure and Other

22/03/04	1.00	21,928	21,928		
08/08/2002				3,955,125	

Transaction Costs – Capital Raising Project

OIS Capital Raising Costs	3,435	(489,625)
Other Transfer Costs		(0)

Total	<u>62,426,782</u>	<u>7,316,711</u>	<u>62,158,054</u>	<u>7,044,548</u>
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Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meeting.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are entitled to any proceeds of liquidation.

NOTE 8 – COMMITMENTS

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. It is a condition of the licence renewal that the following cumulative mandatory expenditure is made; \$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 expend these sums will result in revocation of the licence. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 8 – COMMITMENTS (cont.)

	30/06/04	30/06/03
	\$	\$
No later than one year	4,272,800	2,000,000
Later than one year by not later than five years	12,927,200	0
Later than five years	0	0
	<u>17,200,000</u>	<u>2,000,000</u>

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	31,080	31,080
Later than one year but not later than five years	2,558	1,829
Later than five years	0	0
	<u>33,638</u>	<u>32,908</u>

Capital Commitments

Amounts committed under Contracts for services not provided for in the financial statements and payable:

Not later than one year	-	478,568
Later than one year but not later than five years	-	1,255,408
Later than five years	-	-
	<u>-</u>	<u>1,733,976</u>

NOTE 9 – CONTINGENT LIABILITIES.

Fees payable and dependent on a public float of shares of Great South Land Minerals Limited.

- Secretarial Services (K. Gumley)	76,034	56,433
	<u>76,034</u>	<u>56,433</u>

NOTE 10 – PAYABLES

Current

Creditors and accruals	499,709	2,575,568
Loan from directors	5(a) <u>-</u>	<u>10,500</u>
	<u>499,709</u>	<u>2,586,068</u>

Certain trade creditors are secured by a charge over the assets of the company. The maximum prospective liability secured is \$1,000,000. On 10 January 2002 a default notice was served on the Company by this creditor. On 19 July 2004, this creditor was satisfied in full for cash by

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 10 – PAYABLES (cont.)

30/06/04 30/06/03
\$ \$

Empire Energy Corporation International (EEGC), who is currently negotiating to take over the charge on the assets of the Company.

A number of key creditors, totalling \$2,315,674 at 30 June 2004, have given a written undertaking to the directors 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.

The carrying amount of payables approximates net fair value.

Non-Current

Details of the composition of these creditors and the extent of outstanding amounts payable to them as at 30 June 2004 are:

Directors and Related Entities	1,384,501	0
Other	<u>943,987</u>	<u>0</u>
	<u>2,328,488</u>	<u>0</u>

NOTE 11 – PROPERTY PLANT & EQUIPMENT AND EXPLORATION EXPENDITURE

(a) Plant & Equipment

Plant & equipment at cost less accumulated depreciation.

Property, Plant and Equipment - at Cost 1(g), 1(i)	64,459	59,943
Less accumulated depreciation	<u>(43,172)</u>	<u>(34,311)</u>
	<u>21,287</u>	<u>25,632</u>

(b) Movement in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment and exploration expenditure between the beginning and the end of the financial year

	30/06/04	30/06/04
	\$	\$
	Plant and	Exploration
	equipment	Expenditure
Balance at the beginning of the year	25,632	6,166,092
Additions	4,516	
Effect of change of accounting policy		(6,166,092)
Depreciation	<u>(8,861)</u>	<u>0</u>
Carrying amount at the end of the year	<u>21,287</u>	<u>Nil</u>

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 12 – NOTES TO STATEMENT OF CASH FLOWS

	30/06/04 \$	30/06/03 \$
(a) Reconciliation of Cash		
Cash at the End of the Financial Year as shown in the statement of cash flows is reconciled to Items in the Balance sheet as follows:		
Cash and Cash Advances	11,840	400
Cash Trust Account	-	14,219
Cash at Bank (overdraft)	-	(1,454)
	<u>11,840</u>	<u>13,165</u>
(b) Reconciliation of cash flow from Operations with Operating Profit / Loss after Income Tax		
Operating Profit / (Loss) after Income Tax	(7,006,422)	(795,497)
NON - CASH FLOWS IN OPERATING LOSS AND EXPLORATION EXPENDITURE		
Depreciation	8,861	10,906
CHANGES IN ASSETS AND LIABILITIES		
(Increase) Decrease in Exploration Expenditure	6,184,407	(537,122)
(Increase) Decrease in Prepayments	(14,369)	(132,324)
Increase (Decrease) in Trade and Other creditors	(102,588)	152,702
(Increase) Decrease in Sundry Debtors and Receivables	(53,133)	168,007
Net Cash used in Operating Activities	<u>(983,244)</u>	<u>(1,133,328)</u>

NOTE 13 – OTHER CURRENT ASSETS

Prepayments	-	64,369
Deposits	-	7,977
Other receivables	<u>9,390</u>	<u>74,547</u>
	<u>9,390</u>	<u>146,893</u>

NOTE 14 – ACCUMULATED LOSSES

Accumulated losses at beginning of year	3,230,172	2,434,675
Current year loss	<u>7,006,422</u>	<u>795,497</u>
Accumulated losses at the end of the year	<u>10,236,594</u>	<u>3,230,172</u>

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2004 (cont...)

NOTE 15 – INTEREST BEARING LIABILITIES

	30/06/04	30/06/03
Current	\$	\$
Asset Purchase Loan	3,615	3,615
Other	<u>147,040</u>	<u>747</u>
	<u>150,655</u>	<u>4,362</u>
Non-current		
Asset Purchase Loan	12,814	16,562

The asset purchase loan is secured by a bill of sale over the motor vehicle. The carrying amount of the pledged motor vehicle is \$16,429. The loan bears interest of 9.75%pa. Repayments are made monthly.

NOTE 16 – OTHER INFORMATION

- | | | |
|--|---|---|
| (a) Number of employees at year end | 2 | 3 |
| (b) Great South Land Minerals Limited is incorporated in Hobart, Tasmania, Australia, whose principal Executive Office is at level 3, 65 Murray Street, Hobart, Tasmania, Australia. | | |

NOTE 17 – EVENTS SUBSEQUENT TO BALANCE DATE

Fund Raising

Advances have been received since 1 July 2004, from entities associated with a director of the company, totalling \$173,000.

A shareholder has loaned \$30,000 to the Company by selling shares at a discounted price to other investors and then making the funds available to GSLM as an unsecured loan at an interest rate of 12½%.

Merger – Empire Energy Corporation International

The Company has engaged solicitors, accountants and independent experts to prepare the necessary documentation including this financial report.

Advances have been received since 1 July 2004 from Empire Energy Corporation International (EEGC) totalling US\$219,134.03. These advances are recorded as totalling \$313,349.

Tasmania Exploration Joint Venture – OMERA

Following approaches by both parties the Minister agreed to vary SEL 13/98 and on 1 August 2004 granted OMERA an exploration licence for coal bed methane, SEL 32/2003. The Minister has also renewed SEL 13/98, excluding coal bed methane rights, for a further five-year period.

The Company prepared a contract to give effect to the agreement reached on 8 August 2003 and this contract has been signed by both GSLM and OMERA.

On 15 November 2004 the Mining Tribunal struck out the proceeding relating to the dispute between GSLM and OMERA.

GREAT SOUTH LAND MINERALS LIMITED

NOTE 17 – EVENTS SUBSEQUENT TO BALANCE DATE – cont'd

Related Party Transactions

On 23rd December 2004, the Board resolved to extend the option period for all options referred to in Note 5 (d) to 30th September 2005.

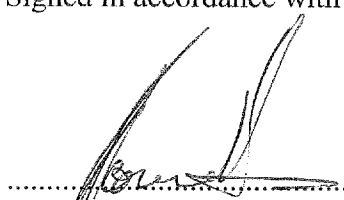
DIRECTORS' DECLARATION

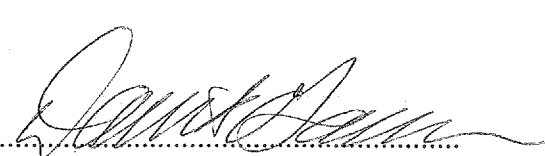
In the opinion of the directors of Great South Land Minerals Limited:

- (a) the financial statements and notes, set out on pages 10 to 27, are in accordance with the Corporations Act, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulation; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Hobart this 28th day of December 2004

Signed in accordance with a resolution of the directors:


.....
Stephen Powell
Director


.....
David A Tanner
Director

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GREAT SOUTH LAND MINERALS LIMITED**

Scope

We have audited the financial report of Great South Land Minerals Limited for the financial year ended 30 June 2004 being the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

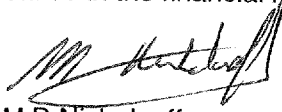
Audit Opinion

In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

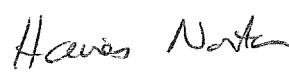
- (a) The Corporations Act 2001, including:
 - (i). Giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii). Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in note 1b there is significant uncertainty whether Great South Land Minerals Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



M D Nicholaeff
Partner



Haines Norton
Chartered Accountants

Dated at Sydney 23 December 2004

Haines Norton - Sydney - ABN 85 140 758 156 NSWBN J2 306 829

GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2003

DIRECTORS' REPORT

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASH FLOWS

NOTES TO ACCOUNTS

DIRECTORS' STATEMENT

INDEPENDENT AUDIT REPORT

DIRECTORS' REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2003.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Mr Malcolm Bendall	Chairman
Mr David Tanner,	Executive Director
Dr Clive Burrett,	Executive Director
Mr Stephen Powell,	Non - Executive Director
Mr Phillip Simpson,	Non - Executive Director (appointed to the Board 23 June 2003)
Mr Richard Watson,	Non - Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year was exploration for and development of sub-surface hydrocarbons in Tasmania.

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

OPERATING RESULTS

The total exploration expenditure by the Company for the financial year ended 30th June 2003 was \$ 1,990,304 of which \$537,122 was expended by the Company, an additional amount of \$182,512 expended under the SPIRT grant, and \$1,270,670 was expended by a third party in accordance with the requirements of joint venture undertakings entered into.

Operating loss after providing for income tax was \$795,497 bringing accumulated losses at the end of the year to \$3,230,172.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or recommended during the financial year or to the date of this report.

REVIEW OF OPERATIONS

Exploration and Development Activities - SEL 13/98

Great South Land Minerals Limited continues to work on the interpretation of the 2D seismic data acquired during 2001. A report on the seismic interpretation and basin analysis of the Longford Sub-basin has now been completed.

GREAT SOUTH LAND MINERALS LIMITED

Approval was obtained from Mineral Resources Tasmania to re-enter and deepen the stratigraphic well, Hunterston #1. This drilling constituted part of the work activities to be carried out by OME Resources Australia Pty Ltd (OMERA) in accordance with a documented Joint Venture that upon satisfactory completion, would have enabled OMER A to earn a 5% interest in the Licence SEL 13/98.

The well was deepened by cutting continuous HQ core from 336 to 977 metres. Some lost circulation and permeable zones were encountered from 900 metres. In order to isolate these zones the HQ string was cemented from 977 metres to approximately 812 metres. The rod string was then changed to NQ and the hole continued by drilling out the cement and the HQ core barrel. Continuous NQ cores were cut from 977 to 1324 metres.

During the coring operations hydrocarbon gas was noted at various depths. Sections of core and gas samples from the well have been sent for analysis to Amdel Laboratories in Adelaide. Preliminary results from the core analysis indicate good porosity and permeability in a vuggy formation at around 957 metres. Additionally the gas samples confirmed the presence of over 1.0% Helium gas (air corrected) from the formations below the Tasmania Basin.

After an extended shut-in period a gas sample was obtained from the well. The well was then circulated and a gas sample obtained from "bottom-up". Both samples were sent to Amdel Laboratories for analysis. Both samples were found to contain methane gas as well as traces of Helium and Hydrogen.

The well is now suspended, with the rig to be removed and the site rehabilitated.

Research ARC – SPIRT Program on SEL 13/98

Great South Land Minerals Limited together with the School of Earth Sciences at the University of Tasmania has continued with the ARC - SPIRT, joint research program.

The interpretation of the seismic data acquired during the TB01 survey was undertaken by Andrew Stacey (PhD student) and a report on the Longford Sub-basin prepared by Paul Lane (honours student).

Numerous thin sections, geochemical assays and porosity-permeability analyses have been carried out on samples from the Parmeener Supergroup, Gordon Group limestones and from Precambrian dolomites by Alan Chester (PhD student) and Dr Catherine Reid (postdoctoral fellow).

A litholog of the Hunterston #1 drill hole has been completed and a partial report on the Tasmania Basin released. A palaeogeothermal/maturation model has been developed by Mr Jubo Liu (PhD student).

All work to date has confirmed and enhanced the prospectivity of both the Gondwana and Larapintine Petroleum Systems onshore Tasmania.

Coal Bed Methane Program

A further part of the joint venture with OMER A allows OMER A to earn 50% of the coal bed methane rights of SEL 13/98 in exchange for a testing program. OMER A has prepared and submitted their testing program to Mineral Resources Tasmania. The coal bed methane rights may change following a proposal outlined in Note 17 of the attached Financial Statements.

GREAT SOUTH LAND MINERALS LIMITED

Corporate Matters

On 9 July 2002 the company signed a letter of intent whereby Empire Energy Corporation (EECI), a Utah corporation, listed on the OTC (over-the-counter) Bulletin Board overseen by the National Association of Securities Dealers agreed to offer to all the shareholders of GSLM to acquire their entire shareholdings. The existing shares of EECI will be reverse split and additional shares issued to GSLM shareholders such that GSLM shareholders will hold 95% of EECI. In order for the deal to move forward EECI must be cleared of all assets and most liabilities and a formal offer made to all GSLM shareholders. EECI in their most recent quarterly report to 30 June 2003 (issued 14 August 2003) advise that documents to be circulated to their shareholders have been lodged with the SEC, and are currently the subject of review and amendment in accordance with comments from the SEC. During the period to 30 June 2003 EECI has disposed of the major portion of its oil and gas properties and is currently in the process of disposing of the remainder.

An offer information statement (OIS) was lodged with ASIC on 12 July 2002. In response to queries and comments from ASIC, two supplementary disclosure documents were lodged and the finalised OIS printed. A series of public meetings in Tasmania and on the mainland, supported by advertising, raised a total of \$1,275,564, by the expiry date of 1 August 2003.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the following significant change in the state of the entity occurred:

- 1,028,764 shares were issued at \$1.00 each.

AFTER BALANCE DATE EVENTS

Fund Raising

Following the end of the financial year and until 1 August 2003, the closing date of the Offer and Information Statement the Company raised an amount of \$246,800, and issued 246,800 shares on 1 August 2003.

Working Capital Facility

From time to time the Company requires funding for short-term needs that since 1 July 2003, have been supplied by an entity associated with a director. Since 1 July 2003 that entity has provided funding amounting to \$425,000 to the company. These advances are unsecured, are not repayable before 1 January 2005 and to date have been interest free.

Joint Venture - OMERA

In August 2003, and following legal advice, the Company has advised OMERA that they have not complied with the terms and conditions of agreements entered into between them and the Company, 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.

A hearing in respect of this matter was held on 1 August 2003, and the matter is currently stood over pending finalisation of agreements entered into between the parties on 8 August 2003. GSLM is confident of its position. (Refer Note 17)

GREAT SOUTH LAND MINERALS LIMITED

FUTURE DEVELOPMENTS

The 2003/2004 Program has been identified, documented and budgeted. Detailed planning is underway for the next seismic program to be carried out in the 2003/2004 season. This will include further prospect definition work to confirm closure on structures discovered earlier this year, together with an extension of the regional program covering southern and eastern areas of the Tasmania Basin.

The initial period of the Licence SEL 13/98 expires in May 2004, and the company will lodge an application to extend the licence for a further period.

The company is seeking to raise further funding through the issue of share capital or through the raising of loan funds to continue as a going concern. A complete description of the company's going concern position is outlined in Note 14 to the Financial Statements.

ENVIRONMENTAL ISSUES

The Company's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Tasmania. As at the date of this report the directors are not aware of any issues that would give rise to any non-compliant environmental matter.

INFORMATION ON DIRECTORS

Mr Malcolm Bendall, Chairman

Age 44

Mr Bendall was a founding Director of Great South Land Minerals Limited. Mr Bendall has published in an international petroleum journal and worked as a mine manager and drilling supervisor. He is a Fellow of the Institute of Company Directors Tasmania.

Shareholding at the date of this report – 7,887,168 ordinary shares through Condor Oil Investment, The Bendall Family Trust and LOGOK Pty Ltd.

Mr David A Tanner

Age 57

Mr Tanner is a Chartered Professional Engineer with wide experience in the mining, construction and energy industries. He became Exploration Manager for GSLM early in 1997 and joined the Board as a director and CEO in May 1997. He is a Member of the Institution of Engineers, Australia and a Fellow of the Australian Institute of Company Directors.

Shareholding at the date of this report – 1,455,296 ordinary shares.

Dr Clive F Burrett

Age 55

Dr Burrett was a founding Director of Great South Land Minerals Limited. He was Head of the School of Earth Sciences at the University of Tasmania from 1997 to 2000.

Shareholding at the date of this report - 565,632 ordinary shares.

GREAT SOUTH LAND MINERALS LIMITED

Mr Stephen Powell

Age 50

Stephen Powell is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. The commercial operation in Prince of Wales Bay, Glenorchy is best known for its Hartz Mineral Waters. He took over management in 1980, and has expanded operations into Australian and export markets. The group has won numerous industry awards, including New Exporter of the Year.

Shareholding at the date of this report - 1,474,400 ordinary shares through RR & SM Powell (Holdings) Pty Ltd and Orange Investments (Powell Family Trust).

Mr Phillip Simpson

Age 52

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.

Shareholding at the date of this report - 1,400,000 ordinary shares in the name of Terralina Pty Ltd (Terralina Executive Superannuation Fund & Phillip Simpson Family Trust)

Mr Richard Watson

Age 70

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. He was previously a director of the Australian Institute of Company Directors, Saltas Pty Ltd, Seafish Tasmania, the Tasmanian Chamber of Commerce and Industry Inc and President of the Australian Institute of Company Directors Tasmania 1995-8.

Shareholding at the date of this report - 403,200 ordinary shares in the name of R J & S F Watson.

Directors' and Executive Officers' Emoluments

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

The remuneration structure for executive officers, including executive directors, seeks to emphasise payments for results through providing incentives, whilst ensuring charges remain within the financial capacity of the company.

GREAT SOUTH LAND MINERALS LIMITED

The emoluments of each Director and executive officer are as follows :

	Salary	Consultancy Fees	Other	Total
Directors				
M R Bendall	Nil	270,000	24,000	294,000
D A Tanner	Nil	109,920	Nil	109,920
C F Burrett	Nil	Nil	Nil	Nil
S Powell	Nil	Nil	Nil	Nil
P Simpson	Nil	Nil	Nil	Nil
R Watson	Nil	Nil	Nil	Nil
Executive Officer				
R Tabor	Nil	267,567	Nil	267,567

MEETINGS OF DIRECTORS

During the financial year, a total of eight meetings of directors were held.

Attendances were as follows:

	<u>Number of Meetings Eligible to Attend</u>	<u>Meetings Attended</u>
M. Bendall	8	6
C F Burrett	8	7
S Powell	8	8
P. Simpson	0	0
D A Tanner	8	8
R Watson	8	7

AUDIT COMMITTEE

The company is not of a size nor are its financial affairs of such complexity to justify a separate Audit Committee of the Board of Directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

INDEMNIFYING OFFICERS OR AUDITORS

During or since the end of the financial year the company has not given an indemnity or entered into an agreement to indemnify or pay or agree to pay insurance premiums.

GREAT SOUTH LAND MINERALS LIMITED

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

R Watson



D A Tanner



Director

Director

Dated this 24th day of October 2003



GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 30th JUNE 2003

	<u>NOTE</u>	30/06/03 \$	30/06/02 \$
Revenues from ordinary activities	2	42	2
Administrative Expenses		311,936	293,276
Consultant Fees		85,108	149,869
Depreciation and Amortisation Expenses		10,906	12,037
Employment Costs		148,861	168,165
Interest		27,235	48,338
Legal Costs		69,165	10,828
Occupancy Expenses		24,000	24,000
Printing & Stationery		48,375	36,211
Travel Expenses		69,953	138,509
Total Expenses		795,539	881,233
Loss from ordinary activities before income tax expense	4	795,497	881,231
Income tax expense relating to ordinary activities		0	0
Total changes in equity from non - owner related transactions attributable to the members of the company		795,497	881,231

The accompanying notes form part of and should be read in conjunction with these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL POSITION
AS AT 30th JUNE 2003

	<u>NOTE</u>	<u>30/06/03</u> \$	<u>30/06/02</u> \$
<u>CURRENT ASSETS</u>			
Cash Assets	12(a)	13,165	1,693
Receivables		69,586	237,593
Other	13	146,893	14,569
TOTAL CURRENT ASSETS		<u>229,644</u>	<u>253,855</u>
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	11(a)	25,632	36,538
Exploration Expenditure	1(f), 11(c)	6,166,092	5,628,970
TOTAL NON CURRENT ASSETS		<u>6,191,724</u>	<u>5,665,508</u>
TOTAL ASSETS		<u>6,421,368</u>	<u>5,919,363</u>
<u>CURRENT LIABILITIES</u>			
Payables	10	2,341,909	938,801
Interest bearing liabilities	15	248,521	3,615
TOTAL CURRENT LIABILITIES		<u>2,590,430</u>	<u>942,416</u>
<u>NON-CURRENT LIABILITIES</u>			
Payables	10	-	886,036
Interest bearing liabilities	15	16,562	20,177
TOTAL-NON CURRENT LIABILITIES		<u>16,562</u>	<u>906,213</u>
TOTAL LIABILITIES		<u>2,606,992</u>	<u>1,848,629</u>
NET ASSETS		<u>3,814,376</u>	<u>4,070,734</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF FINANCIAL POSITION
AS AT 30th JUNE 2003

	<u>NOTE</u>	<u>30/06/03</u> \$	<u>30/06/02</u> \$
<u>EQUITY</u>			
62,158,054 Shares (2002:57,174,165)			
Contributed Equity	7	7,044,548	6,505,409
Accumulated Profit (Losses)	14	(3,230,172)	(2,434,675)
TOTAL EQUITY		<u>3,814,376</u>	<u>4,070,734</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE 2003

	30/06/03 \$	30/06/02 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunded	104,429	265,060
Interest Received	2	2
Borrowing Costs	(33,826)	(48,338)
Payment to suppliers and employees	(524,516)	(346,188)
Exploration & Evaluation Expenditure (including GST paid)	(679,417)	(869,448)
Net Cash used in Operating Activities	12(b) (1,133,328)	(998,912)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	-	(30,839)
Net Cash used in Investing Activities	-	(30,839)
CASH FLOW FROM FINANCING ACTIVITIES		
Capital Raising costs	(183,201)	(84,216)
Proceeds from Asset Purchase Loan	-	26,202
Net Proceeds from borrowings	281,293	13,000
Proceeds from issue of shares	1,028,764	1,121,000
Repayments of borrowings	(5,000)	(90,830)
Net Cash provided by Financing Activities	1,121,856	985,156
Net Increase (Decrease) in Cash held	11,472	(44,595)
Cash at Beginning of Year	1,693	46,288
Cash at End of Year	12(a) 13,165	1,693

The accompanying notes form part of and should be read in conjunction with these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

b) Going Concern

The financial report is prepared on a going concern basis. However significant uncertainties exist in relation to conditions that cast doubt upon the company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the company;
- Uncertainties in terms of the ability to generate cash flows in the future considering that production operations have not yet commenced;
- Extensive commitments for expenditure under the company's key mineral exploration lease; and
- Current liabilities of \$2,590,430 and current assets of \$229,644 including cash or cash equivalents of \$13,165.
- The licence SEL 13/98 comes up for renewal in May 2004.

The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts (including net deferred exploration expenditure of \$6,166,092) or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

The continuing viability of the company and its ability to continue as a going concern and to meet its obligations as they fall due is dependent on the company being successful in raising additional funds and renewing the exploration license.

GREAT SOUTH LAND MINERALS LIMITED

The company has planned the following activities and the following activities exist to address the above going concern issues:

These include:

- The raising of loan funding - advances received since 1 July 2003, from an entity associated with a director of the company, totalling \$425,000. Negotiations are underway with that same entity, for further funding.
- The issue of Share Capital - Receipts during the period following the end of the financial year to 1 August 2003 of \$246,800 from applications for shares under the Offer and Information Statement.
- On 9 July 2002 the company signed a letter of intent whereby Empire Energy Corporation (EECI), a Utah corporation, listed on the OTC (over-the-counter) Bulletin Board overseen by the National Association of Securities Dealers agreed to make an offer to GSLM shareholders to acquire all the shares of GSLM. The existing shares of EECI would be reverse split and additional shares issued to GSLM shareholders such that GSLM shareholders would hold 95% of EECI. In order for the deal to move forward EECI must be cleared of all assets and liabilities and a formal offer made to all GSLM shareholders. It is expected that once this agreement is concluded that GSLM will be in a position to raise funds in the U.S.A. market;
- The company continues to meet the requirements of the exploration licence SEL 13/98, including spending \$2,000,000 on exploration by 18 May 2004, and will apply for the licence to be extended for a further period.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

f) Exploration Costs

Exploration costs incurred in the search for oil or natural gas fields are carried forward, as activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Exploration operations in the area of interest are continuing.

The area of interest is known as the Tasmanian Basin and the company holds current rights to tenure over any discovered reserves pursuant to Special Exploration Licence, 13/98.

Significant amounts have been expended to complete this work. Drilling to date has shown traces of natural gas and oil but not in commercial quantities. The seismic program completed last year has shown evidence of major structures capable of containing significant reservoirs of commercial petroleum.

This information shows promise and accordingly continued exploration by the company is considered essential.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

g) Taxation – Note 4

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

h) Acquisitions of assets

All assets acquired including plant and equipment and intangibles are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(e).

i) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amount of receivables approximates fair value.

j) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration expenditure carried forward (refer Note 1(f)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

k) Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

l) Payables – Note 10

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

The carrying amount of accounts payable approximates net fair value.

m) Cash assets and bank overdrafts – Note 12

Cash assets including cash equivalent assets and bank overdraft are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets approximates net fair value.

30/06/03
\$

30/06/02
\$

NOTE 2 – OPERATING LOSS FROM ORDINARY ACTIVITIES

(a) Expenses

Operating loss from ordinary activities before income tax has been determined after:

Depreciation of Non Current Assets	10,906	12,037
Interest paid to other parties	25,992	48,338
Rental expense relating to operating leases	24,000	24,000

(b) Revenue

Revenue from outside operating activities	42	2
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GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

	30/06/03	30/06/02
	\$	\$
<u>NOTE 3 – AUDITORS REMUNERATION</u>		
Audit services		
Auditors of the company	55,250	40,523
Other services		
KPMG related practices	<u>7,132</u>	<u>4,431</u>
	<u>62,382</u>	<u>44,954</u>

	30/06/03	30/06/02
	\$	\$
<u>NOTE 4 - TAXATION</u>		

The amount of income tax attributable to the financial year differs from the prima facie amount calculated on the operating loss. The differences are reconciled as follows:

Operating loss before income tax	(795,497)	(881,231)
Prima facie income tax benefit at 30% (2002: 30%)	(238,649)	(264,370)
Tax effect of temporary differences	(117,360)	-
Tax effect of permanent differences:	-	-
Non deductible expenditure	151	10,169
Future income tax benefit relating to tax losses not brought to account	<u>355,858</u>	<u>254,201</u>
Income tax benefit attributable to operating loss	<u>0</u>	<u>0</u>

The Directors estimate that the potential future income tax benefit at 30 June 2003 in respect of revenue and exploration tax losses not brought to account is:

1,841,777	1,485,919
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The Company is taxed as a public company. The benefit of tax losses will only be obtained if:

- a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) the Company continues to comply with the conditions for deductibility imposed by the law;
- c) and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.



GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 5 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions not more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Directors and Director Related Transaction

- (i) A number of directors of the company or their director related entities hold positions in other entities that result in them in having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

		30/06/03	30/06/02
		\$	\$
Director	Transaction		
DA Tanner	Consulting	109,920	93,050
MR Bendall	Rental	24,000	24,000
MR Bendall	Consulting	270,000	117,400
SM Powell	Office Supplies	0	634

(ii) Loans from Directors

Directors' unsecured interest free loans at call to the company.

10,500	13,000
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(iii) Working Capital Facility

From time to time the Company requires funding for short term needs which are supplied by an entity associated with a director. Since 1 July 2003 that entity has provided funding amounting to \$425,000 to the company. These advances are unsecured, are not repayable before 1 January 2005 and to date have been interest free. At 30 June 2003, due to timing issues, this entity owed the company an amount of \$74,547.

(iv) Guarantees

Two directors of the company have personally provided joint and several guarantees, on behalf of the company, in favour of Mineral Resources of Tasmania (MRT), the government body responsible for the activities of the company. This guarantee is for a total of \$75,000, and relates to future rehabilitation costs that may arise in respect of the licence.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

- (b) From 1 July 2002 to 30 June 2003 no share issues were made to Directors or Director Related Entities.

NOTE 6 - DIRECTORS' REMUNERATION

Directors Income

30/06/03

30/06/02

\$

\$

The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$90,000 - \$99,999

0

1

\$100,000 - \$109,999

1

0

\$110,000 - \$119,999

0

1

\$270,000 - \$279,999

1

0

Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.

403,920

210,450

Retirement Benefits

No retirement benefits have been paid to directors.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 7 - CONTRIBUTED EQUITY

Issued and paid up capital			30/06/03	30/06/02
			\$	\$
62,158,054 Ordinary Shares (2002: 57,174,165) fully paid			<u>7,534,173</u>	<u>6,505,409</u>

	Price	30/06/03 Shares	30/06/03 \$	30/06/02 Shares	30/06/02 \$
Balance at the beginning of the year		57,174,165	6,505,409	44,735,040	5,468,625
Bonus issue for shares				7,875,000	
		57,174,165	6,505,409	52,610,040	5,468,625

Shares Issued Cash

30/06/2003	1.00	136,364	136,364		
30/06/2003	1.00	103,400	103,400		
30/05/2003	1.00	52,000	52,000		
28/02/2003	1.00	5,000	5,000		
31/01/2003	1.00	253,000	253,000		
29/11/2002	1.00	39,000	39,000		
31/10/2002	1.00	154,000	154,000		
30/09/2002	1.00	257,000	257,000		
30/08/2002	1.00	29,000	29,000		
16/05/2002	0.25			24,000	6,000
02/04/2002	0.25			100,000	25,000
28/03/2002	0.25			360,000	90,000
03/09/2001	8.00			125,000	1,000,000

Shares Issued – Exploration Expenditure and Other

08/08/2002	3,955,125				
09/05/2002				3,955,125	


Transaction Costs – Capital Raising Project

OIS Capital Raising Costs	(489,625)			(49,970)	
Other Transfer Costs				(34,246)	

Total		<u>62,158,054</u>	<u>7,044,548</u>	<u>57,174,165</u>	<u>6,505,409</u>
--------------	--	-------------------	------------------	-------------------	------------------

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meeting.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are entitled to any proceeds of liquidation.



GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 8 – COMMITMENTS

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	30/06/03	30/06/02
	\$	\$
No later than one year	2,000,000	2,000,000
Later than one year by not later than five years	0	2,000,000
Later than five years	0	0
	2,000,000	4,000,000

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	31,080	54,949
Later than one year but not later than five years	1,829	59,072
Later than five years		0
	32,908	114,021

Other Commitments

Amounts committed under Contracts for services not provided for in the financial statements and payable:

Not later than one year	478,568	456,000
Later than one year but not later than five years	1,255,408	1,710,000
Later than five years	-	-
	1,733,976	2,166,000

NOTE 9 – CONTINGENT LIABILITIES.

Fees payable and dependent on a public float of shares of Great South Land Minerals Limited.

- Secretarial Services	56,433	56,433
------------------------	--------	--------

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7600
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GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

		30/06/03	30/06/02
		\$	\$
<u>NOTE 10 – PAYABLES</u>			
Current			
Creditors and accruals		2,331,409	925,801
Loan from directors	5(a)	<u>10,500</u>	<u>13,000</u>
		<u>2,341,909</u>	<u>938,801</u>

Certain trade creditors are secured by a charge over the assets of the company. The maximum prospective liability secured is \$1,000,000. On 10 January 2002 a default notice was served on the company by this creditor. The amount due to this creditor had been reduced to \$122,447.15 at 30 June 2003, and to \$51,722 at 30 September 2003.

A number of key creditors, totalling \$1,438,882 at 30 June 2003, have given a written undertaking to the directors that they will not take any proceedings to enforce collection of debt existing at 30 June 2002 or debt incurred up to 31 December 2003 before 1 January 2004.

The carrying amount of payables approximates net fair value.

Non-Current

Details of the composition of these creditors and the extent of outstanding amounts payable to them as at 30 June 2003 are:

	\$	\$
Directors and their director related entities	-	396,089
Other	-	<u>489,947</u>
	-	<u>886,036</u>

NOTE 11 – PROPERTY PLANT & EQUIPMENT AND EXPLORATION EXPENDITURE

(a) Plant & Equipment

Plant & equipment at cost less accumulated depreciation.

Property, Plant and Equipment - at Cost	1(h), 1(k)	59,943	59,943
Less accumulated depreciation		<u>(34,311)</u>	<u>(23,405)</u>
		<u>25,632</u>	<u>36,538</u>

(b) Exploration Expenditure

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the area.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

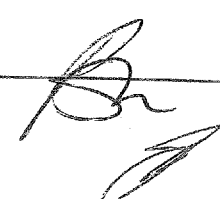
(c) Movement in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment and exploration expenditure between the beginning and the end of the financial year

	\$ Plant and equipment	\$ Exploration Expenditure
Balance at the beginning of the year	36,538	5,628,970
Additions		537,122
Depreciation	(10,906)	0
Carrying amount at the end of the year	<u>25,632</u>	<u>6,166,092</u>

NOTE 12 – NOTES TO STATEMENT OF CASH FLOWS

	30/06/03	30/06/02
(a) Reconciliation of Cash		
Cash at the End of the Financial Year as shown in the statement of cash flows is reconciled to Items in the Balance sheet as follows:		
Cash and Cash Advances	400	400
Cash Trust Account	14,219	210
Cash at Bank (overdraft)	(1,454)	1,083
	<u>13,165</u>	<u>1,693</u>
(b) Reconciliation of cash flow from Operations with Operating Profit / Loss after Income Tax		
Operating Profit / (Loss) after Income Tax	(795,497)	(881,231)
NON - CASH FLOWS IN OPERATING LOSS AND EXPLORATION EXPENDITURE		
Depreciation	10,906	12,037
CHANGES IN ASSETS AND LIABILITIES		
(Increase) Decrease in Exploration Expenditure	(537,122)	(736,844)
(Increase) Decrease in Prepayments	(132,324)	(3,103)
Increase (Decrease) in Trade and Other creditors	152,702	91,048
(Increase) Decrease in Sundry Debtors and Receivables	168,007	512,975
Net Cash used in Operating Activities	<u>(1,133,328)</u>	<u>(998,912)</u>



GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 13 – OTHER CURRENT ASSETS

Prepayments	64,369	14,569
Deposits	7,977	0
Other receivables	<u>74,547</u>	<u>0</u>
	<u>146,893</u>	<u>14,569</u>

NOTE 14 – ACCUMULATED LOSSES

Accumulated losses at beginning of year	2,434,675	1,553,444
Current year loss	<u>795,497</u>	<u>881,231</u>
Accumulated losses at the end of the year	<u>3,230,172</u>	<u>2,434,675</u>

NOTE 15 – INTEREST BEARING LIABILITIES

Current

Asset Purchase Loan	3,615	3,615
Other	<u>244,906</u>	<u>0</u>
	<u>248,521</u>	<u>3,615</u>

Non-current

Asset Purchase Loan	16,562	20,177
---------------------	--------	--------

The asset purchase loan is secured by a bill of sale over the motor vehicle. The carrying amount of the pledged motor vehicle is \$15,930. The loan bears interest of 9.75%pa. Repayments are made monthly.

NOTE 16 – OTHER INFORMATION

- (a) Number of employees at year end 3 4
- (b) Great South Land Minerals Limited is incorporated in Hobart, Tasmania, Australia, whose principal Executive Office is at level 3, 65 Murray Street, Hobart, Tasmania, Australia.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 17 – TASMANIA EXPLORATION JOINT VENTURE

On 10 May 2002 the company signed a contract with OME Resources Australia P/L (OMERA) by which OMER A may earn a joint venture interest in SEL 13/98 by conducting drilling and related work. The agreement between GSLM and OMER A set up the Tasmania Exploration Joint Venture (TEJV).

Stage 1 of this work required the expenditure of \$1,000,000 prior to 30 September 2002 to complete the drilling / coring of Hunterston #1 and other activities for a 5% interest in the licence.

As at 30 September 2002 GSLM recognised that OMER A had expended \$663,536 on on-ground exploration. OMER A contended that expenditure incurred to 30 September 2002 amounted to approximately \$1,216,956. The expenditure figure of \$663,536 has been submitted to Mineral Resources Tasmania as partial fulfilment of GSLM's licence obligations.

Management and OMER A attempted to resolve this dispute by negotiation and mediation. OMER A referred the dispute by letter dated 18 February 2003 to the Registrar of Mines who referred the dispute to the Mining Tribunal (MT).

The dispute was first listed for hearing on 6 May 2003. The MT has made various procedural directions regarding the conduct of the MT proceedings. GSLM has not yet accepted that the MT has jurisdiction to deal with this matter and the MT proceeding was listed for further hearing on 30 September 2003.

Following legal advice and consideration of commercial costs by your directors, an agreement was entered into with OMER A on 8 August 2003. Your directors consider it necessary, to minimise costs and time, to resolve the claims by OMER A in respect of work carried out for a consideration that is deemed acceptable.

It has been agreed that :

- Both parties will approach the Minister to gain his consent to vary SEL 13/98 such that ;
 - OMER A is assigned a 100% interest in coal bed methane in SEL 13/98
 - GSLM retains 100% interest in category 4 minerals, excluding coal bed methane in SEL 13/98.
- If the variation is agreed to by the Minister then;
 - OMER A accepts the coal bed methane rights in full and final settlement of all its claims.
 - OMER A agrees to complete the suspension of Hunterston #1 and the rehabilitation of the site at its cost.
 - GSLM will grant OMER A the first right of refusal for future drilling work on SEL 13/98 for 5 years from 10 May 2002.
 - Both parties to agree to the discontinuation of the Mining Tribunal proceedings.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30th JUNE 2003 (cont...)

NOTE 18- SPIRT GRANT

In 2001 the Australian Federal Government, through the Australian Research Grants Scheme awarded the University of Tasmania and Great South Land Minerals Limited a \$417,000 three year Research and Development Grant to study the Petroleum Systems in Tasmania. This Grant will enable a team of University and GSLM geo-scientists to develop a computer model for the geological tectonic and fluid flow evolution of Central Tasmania for the last 500 million years.

Under the ARC Strategic Partnership in Industrial Research and Technology (SPIRT) grant that matches the Federal government funding with industry cash and in-kind contributions, the Commonwealth will provide \$417,166 while GSLM will match this.

As at 30 June 2003, GSLM had contributed a total of \$277,409, and the University of Tasmania had reported a total expenditure of \$331,864.

NOTE 19- EVENTS SUBSEQUENT TO BALANCE DATE

Fund Raising

Following the end of the financial year and until 1 August 2003, the closing date of the Offer Information Statement, the Company raised an amount of \$246,800, and issued 246,800 shares on 1 August 2003.

Joint Venture - OMERA

In August 2003, the Company and OMERA entered into an agreement. This agreement is conditional on the Minister granting his consent to vary the Licence SEL 13/98 as described in Note 17. At the date of this report the variation has not been consented to by the Minister, as the variation has not yet been advertised for public comment. Representatives of MRT have advised GSLM that the variation is expected to be advertised for public comment before the end of October 2003.

NOTE 20- SEGMENT INFORMATION

The entity's business and geographical segments are located and operated solely in Australia.

NOTE 21- FINANCIAL INSTRUMENTS

a) Financial Instruments

The entity does not use derivatives of forward exchange contracts.

b) Interest Rate Risk

The entity does not hold material financial assets subject to interest rate risk.

c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

GREAT SOUTH LAND MINERALS LIMITED

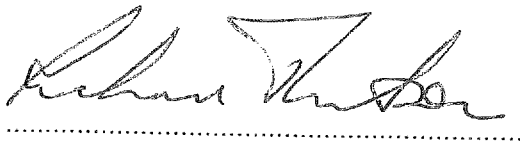
DIRECTORS' DECLARATION

In the opinion of the directors of Great South Land Minerals Limited:

- (a) the financial statements and notes, set out on pages 9 to 27, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulation 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Adelaide this 24th day of October 2003

Signed in accordance with a resolution of the directors:

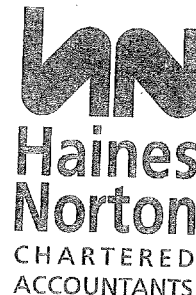


Richard Watson
Director



David A Tanner
Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GREAT SOUTH LAND MINERALS LIMITED



Scope

We have audited the financial report of Great South Land Minerals Limited for the financial year ended 30 June 2003 as set out on pages 9 to 28.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

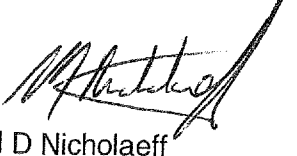
Audit Opinion

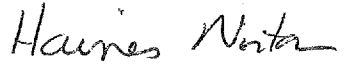
In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

- (a) The Corporations Act 2001, including:
 - (i). Giving a true and fair view of the company's financial position as at 30 June 2003 and of its performance for the year ended on that date; and
 - (ii). Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in note 1b there is significant uncertainty whether Great South Land Minerals Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.


M D Nicholaeff
Partner



Haines Norton
Chartered Accountants

Dated at Sydney 24th October, 2003

Haines Norton - Sydney - ABN 85 140 758 156 NSWBN J2 306 829

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**US GAAP ACCOUNTS
(GSLM)**

FINANCIAL STATEMENTS

JUNE 30, 2003 & 2002

GREAT SOUTH LAND MINERALS LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

Independent Auditors' Report

The Board of Directors
Great South Land Minerals Limited

We have audited the accompanying balance sheets of Great South Land Minerals Limited (the "Company") as of June 30, 2003 and 2002, and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great South Land Minerals Limited at June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has a working capital deficiency, has incurred net losses in recent years, and has a significant accumulated deficit. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Sydney, Australia

GREAT SOUTH LAND MINERALS LIMITED

FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

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Statements of Stockholder's Deficit	5
Statements of Cash Flows	6
Notes to Financial Statements.....	7
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GREAT SOUTH LAND MINERALS LIMITED

BALANCE SHEETS

		June 30,	
	Note	2003	2002
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 8,786	\$ 955
Trade and other receivables		46,442	134,193
Prepaid expenses and deposits		48,284	8,229
Other current assets		49,752	-
TOTAL CURRENT ASSETS		153,264	143,377
PROPERTY AND EQUIPMENT, net	F	17,107	20,637
TOTAL ASSETS		\$ 170,371	\$ 164,014
LIABILITIES AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES			
Trade and other payables		\$ 1,562,990	\$ 530,234
Current portion of long-term debt	G	165,863	2,042
TOTAL CURRENT LIABILITIES		1,728,853	532,276
TRADE AND OTHER PAYABLES		-	500,433
LONG-TERM DEBT, net of current portion	G	11,053	11,396
TOTAL LIABILITIES		1,739,906	1,044,105
STOCKHOLDERS' DEFICIT			
Common stock, no par value, 62,158,054 and 57,174,165 shares issued and outstanding at June 30, 2003 and 2002, respectively		6,778,368	4,332,655
Accumulated deficit		(8,230,066)	(5,328,437)
Accumulated other comprehensive income (loss)		(117,837)	115,691
TOTAL STOCKHOLDERS' DEFICIT		(1,569,535)	(880,091)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		\$ 170,371	\$ 164,014

The accompanying notes are an integral part of these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF OPERATIONS

	Year Ended June 30,	
	2003	2002
INTEREST INCOME	\$ 25	\$ -
COSTS AND EXPENSES		
Selling, general and administrative	2,571,955	970,970
Exploration	313,788	385,929
TOTAL COSTS AND EXPENSES	<u>2,885,743</u>	<u>1,356,899</u>
LOSS FROM OPERATIONS	(2,885,718)	(1,356,899)
INTEREST EXPENSE	<u>(15,911)</u>	<u>(25,317)</u>
LOSS BEFORE INCOME TAXES	(2,901,629)	(1,382,216)
INCOME TAXES	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (2,901,629)</u>	<u>\$ (1,382,216)</u>

The accompanying notes are an integral part of these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF STOCKHOLDERS' DEFICIT YEARS ENDED JUNE 30, 2003 AND 2002

	<u>Common Stock</u>		<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>			
Balance at July 1, 2001	52,610,040	\$ 3,250,780	\$ 199,640	\$ (3,946,221)	\$ (495,801)
Foreign currency translation	-	-	(83,949)	-	(83,949)
Issuance of common stock:					
Cash	609,000	591,251	-	-	591,251
Services	3,955,125	534,733	-	-	534,733
Stock issuance costs	-	(44,109)	-	-	(44,109)
Net loss	-	-	-	(1,382,216)	(1,382,216)
Balance at June 30, 2002	57,174,165	4,332,655	115,691	(5,328,437)	(880,091)
Foreign currency translation	-	-	(233,528)	-	(233,528)
Issuance of common stock:					
Cash	1,028,764	608,642	-	-	608,642
Services	3,955,125	2,123,111	-	-	2,123,111
Stock issuance costs	-	(286,040)	-	-	(286,040)
Net loss	-	-	-	(2,901,629)	(2,901,629)
Balance at June 30, 2003	<u>62,158,054</u>	<u>\$ 6,778,368</u>	<u>\$ (117,837)</u>	<u>\$ (8,230,066)</u>	<u>\$ (1,569,535)</u>

The accompanying notes are an integral part of these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,901,629)	\$ (1,382,216)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares issues for services	2,123,111	534,733
Depreciation	6,371	6,304
Changes in operating assets and liabilities:		
Trade and other receivables	98,150	268,676
Prepaid expenses	(33,754)	1,625
Other current assets	(43,550)	-
Trade and other payables	302,075	8,185
NET CASH USED IN OPERATING ACTIVITIES	(449,226)	(562,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(16,152)
NET CASH USED IN INVESTING ACTIVITIES	-	(16,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital raising costs	(286,040)	(44,109)
Proceeds from asset purchase loan		
Net proceeds from borrowings	140,963	12,461
Proceeds from issuance of shares	601,006	587,135
NET CASH PROVIDED BY FINANCING ACTIVITIES	455,929	555,487
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1,128	822
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,831	(22,536)
CASH AND CASH EQUIVALENTS - beginning of year	955	23,491
CASH AND CASH EQUIVALENTS - end of year	\$ 8,786	\$ 955
CASH PAID FOR INTEREST AND TAXES:		
Taxes	\$ -	\$ -
Interest	\$ 19,761	\$ 25,317

The accompanying notes are an integral part of these financial statements.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Preparation: Great South Land Minerals Limited (the "Company" or "GSLM") was incorporated in Tasmania, Australia in 1995. The principal activity of the Company is the exploration and development of sub-surface hydrocarbons in Tasmania.

The financial statements presented herein have been prepared in a manner and reflect the adjustments which are considered necessary to conform them to accounting principles generally accepted in the United States and are stated in U.S. dollars.

Going Concern and Liquidity: The financial statements are prepared on a going concern basis. However, significant uncertainties exist in relation to conditions that cast doubt upon the Company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the Company.
- Uncertainties in terms of the ability to generate cash flows in the future considering that production operations have not yet commenced.
- Extensive commitments for expenditure under the Company's key mineral exploration lease.
- Current liabilities of \$1,728,853 and current assets of \$153,264 including cash or cash equivalents of \$8,786 at June 30, 2003.
- The licence SEL 13/98 comes up for renewal in May 2004.

There can be no assurance that the Company will be able to obtain financing on commercially reasonable terms. The continuing viability of the Company and its ability to continue as a going concern and to meet its obligations as they fall due is dependent on the Company being successful in raising additional funds and renewing the exploration license. The Company's inability to raise capital may have a material adverse affect on its financial condition, ability to meet its obligations and operating needs and results of operations.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Company has planned the following activities and the following activities exist to address the above going concern issues. These include:

- The raising of loan funding: Advances received since July 1, 2003, from an entity associated with a director of the company, totalling \$283,645. Negotiations are underway with that same entity, for further funding.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The issue of Share Capital: Receipts during the period following June 30, 2003 to August 1, 2003 of \$165,356 from applications for shares under the Offer and Information Statement.
- On July 9, 2002 the Company signed a letter of intent whereby Empire Energy Corporation (EECI), a Utah corporation, listed on the OTC (over-the-counter) Bulletin Board overseen by the National Association of Securities Dealers agreed to make an offer to GSLM shareholders to acquire all the shares of GSLM. The existing shares of EECI would be reverse split and additional shares issued to GSLM shareholders such that GSLM shareholders would hold 95% of EECI. In order for the deal to move forward EECI must be cleared of all assets and liabilities and a formal offer made to all GSLM shareholders. It is expected that once this agreement is concluded that GSLM will be in a position to raise funds in the USA market.
- The Company continues to meet the requirements of the exploration licence SEL 13/98, including spending \$1,334,800 on exploration by May 18, 2004, and will apply for the licence to be extended for a further period.

Revenue Recognition: Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Property and Equipment: The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and production operations:

- *Capitalization of Oil and Gas Expenditures:* Acquisition costs for proved and unproved properties are capitalized when incurred. Costs of unproved properties are transferred to proved properties when proved reserves are found. Exploration costs, including geological and geophysical costs and costs of carrying and retaining unproved properties, are charged against income as incurred. Exploratory drilling costs are capitalized initially; however, if it is determined that an exploratory well does not contain proved reserves, such capitalized costs are charged to expense, as dry hole costs, at that time. Development costs are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

Leasehold Impairment and Depreciation, Depletion and Amortization: Unproved properties whose costs are individually significant are evaluated for impairment by management. Costs of such properties surrendered or abandoned are charged to exploration expense.

The acquisition costs of proved properties are depleted by the unit of production method based on proved reserves. Capitalized exploratory drilling costs which result in the discovery of proved reserves and development costs are amortized/depreciated by the unit of production method based on proved developed reserves. The unit determination is by field.

Other Property and Equipment: Other property and equipment is depreciated under the straight-line method over the useful lives of the assets ranging from 2 to 9 years.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Dismantlement, Restoration and Abandonment Costs:* In accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations", (which becomes effective for fiscal years beginning January 1, 2003), which addresses financial accounting and reporting for liabilities associated with the retirement of long-lived assets, the Company recognizes the fair value of a liability for asset retirement obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset as part of depreciation, depletion, and amortization. The effect of the passage of time on the amount of the liability is recognized as accretion expense. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement. The Company is presently evaluating the effect of implementing this standard and preliminary estimates indicate a potential liability and expense of approximately \$101,000.

The cost of normal maintenance and repairs is charged to operating expenses as incurred. Material expenditures which increase the life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset. The cost of properties sold, or otherwise disposed of, and the related accumulated depreciation or amortization are removed from the accounts and any gains or losses are reflected in current operations.

Income Taxes: The Company provides for income taxes using the asset and liability method pursuant to SFAS No. 109, *Accounting for Income Taxes* ("Statement 109"). Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets when future realization is uncertain.

Receivables: The collectibility of receivables is assessed and an allowance is made for any doubtful accounts. No allowance has been recorded at June 30, 2003 and 2002.

Cash and Cash Equivalents: Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's financial statements are based on a number of significant estimates including the selection of the useful lives for property, equipment, and oil and gas reserve quantities which are the basis for the calculation of depreciation, depletion and amortization of oil and gas properties. Management emphasizes that reserve estimates are inherently imprecise and that estimates of more recent discoveries are more imprecise than those for properties with long production histories. Accordingly, the Company's estimates are expected to change as future information becomes available and such changes could be material.

As mandated under Statement of Financial Accounting Standards ("SFAS") No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", the Company is required under certain circumstances to evaluate the possible impairment of the carrying value of its long-lived assets. This involves a comparison of the carrying value to the estimated future undiscounted cash flows, which is the primary basis for determining the related fair values for such long-lived assets. In addition to the uncertainties inherent in the estimation process, these amounts are affected by historical and projected prices for oil and natural gas which have typically been volatile. It is reasonably possible that the Company's oil and gas reserve estimates will materially change in the forthcoming year.

Foreign Currency Translation: The functional currency of the Company is the Australian dollar. Financial statements for these entities are translated into United States dollars at year end exchange rates as to assets and liabilities and weighted average exchange rates as to revenues and expenses. Capital accounts are translated at their historical exchange rates when capital transactions occurred.

Comprehensive Income (Loss): The Company accounts for comprehensive income (loss) under Statement of Financial Accounting Standards No. 130, "*Reporting Comprehensive Income*" ("SFAS 130"). SFAS 130 establishes standards for reporting and display of comprehensive income and its components. The foreign currency translation gains (losses) resulting from the translation of the financial statements of the Company, expressed in Australian dollars, to United States dollars are reported as other comprehensive income (loss) in the Statement of Operations and as accumulated other comprehensive income (loss) in Stockholders' Deficit.

Recently Issued Accounting Pronouncements: In January 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "*Consolidation of Variable Interest Entities*." This interpretation provides guidance on the identification of, and financial reporting for, variable interest entities. Variable interest entities are entities that lack the characteristics of a controlling financial interest or lack sufficient equity to finance its activities without additional subordinated financial support. FIN 46 requires a company to consolidate a variable interest entity if that company is obligated to absorb the majority of the entity's expected losses or entitled to receive the majority of the entity's residual returns, or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. FIN 46 is applicable immediately to variable interest entities created after January 31, 2003. For all variable interest entities created prior to February 1, 2003, FIN 46 is applicable to periods beginning after June 15, 2003. The Company is in the process of assessing the impact that FIN 46 will have on its consolidated financial statements.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2003, as amended in November 2003, the FASB issued SFAS No. 150, "*Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity*" ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 requires that an issuer classify a financial instrument that is within its scope, which may have previously been reported as equity, as a liability (or an asset in some circumstances). This statement is effective in fiscal periods beginning after December 15, 2004. The Company does not believe that the adoption of SFAS 150 will have a significant impact on its financial statements.

NOTE B - TAXATION

In assessing the realizability of deferred tax assets, the Company applies SFAS No. 109 to determine whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. As a result, the Company's valuation allowance at June 30, 2003 and 2002 reduces the net deferred tax assets to \$0.

Deferred tax assets consist of:

	June 30,	
	2003	2002
Net operating losses	\$ 1,720,909	\$ 1,230,813
Valuation allowance	(1,720,909)	(1,230,813)
	<u>\$ -</u>	<u>\$ -</u>

At June 30, 2003, the Company has net operating loss carryforwards of approximately \$5,700,000. The benefit of tax losses will always be available provided the following are met:

- 1 The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realized;
- 2 The Company continues to comply with the conditions for deductibility imposed by the law; and
- 3 No changes in tax legislation adversely affect the Company in realizing the benefit from the deductions for the losses.

The increase in the valuation allowance was \$490,096 and \$ 369,890 during 2003 and 2002, respectively.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE C - RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions not more favourable than those available to other parties unless otherwise stated. Transactions with related parties are as follows:

Directors and Director Related Transaction

A number of directors of the Company or their director related entities hold positions in other entities that result in them in having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

Director	Transaction	Year Ended June 30,	
		2003	2002
D. A. Tanner	Consulting	\$ 73,360	\$ 52,555
M. R. Bendall	Rental	\$ 16,017	\$ 13,552
M. R. Bendall	Consulting	\$ 180,198	\$ 66,307
S. M. Powell	Office Supplies	\$ -	\$ 358

Loans from Directors

	June 30,	
	2003	2002
Directors' unsecured interest free loans at call to the Company	\$ 7,007	\$ 7,342

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE C - RELATED PARTY TRANSACTIONS (Continued)

Working Capital Facility

From time to time the Company requires funding for short term needs which are supplied by an entity associated with a director. Since July 1, 2003, that entity has provided funding amounting to approximately \$283,000 to the Company. These advances are unsecured, are not repayable before January 1, 2005, and to date have been interest free. At June 30, 2003, the Company owed the related party an amount of \$49,753.

Guarantees

Two directors of the Company have personally provided joint and several guarantees, on behalf of the Company, in favour of Mineral Resources of Tasmania ("MRT"), the government body responsible for the activities of the Company. This guarantee is for a total of \$50,055, and relates to future rehabilitation costs that may arise in respect of the licence.

NOTE D - COMMITMENTS

Environmental Remediation Liabilities

The Company's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Tasmania. As of June 30, 2003, the Company is not aware of any issues that would give rise to any environmental remediation liabilities.

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. At June 30, 2003, these obligations not provided for in the financial statements are as follows:

Year Ended June 30,

2004

\$ 1,334,800

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

Operating Lease Commitments

Future operating lease rentals at June 30, 2003 not provided for in the financial statements are as follows:

Year Ended June 30,

2004	\$ 20,743
2005	<u>1,221</u>
	<u>\$ 21,964</u>

Rent expense was \$14,021 and \$12,570 during the years ended June 30, 2003 and 2002, respectively.

In 2001 the Australian Federal Government, through the Australian Research Grants Scheme awarded the University of Tasmania and GSLM a three year Research and Development Grant to study the Petroleum Systems in Tasmania of approximately \$275,000. This Grant will enable a team of University and GSLM geo-scientists to develop a computer model for the geological tectonic and fluid flow evolution of Central Tasmania for the last 500 million years.

Under the ARC Strategic Partnership in Industrial Research and Technology (SPIRT) grant that matches the government funding with industry cash and in-kind contributions, the Commonwealth will provide approximately \$275,000 while GSLM will match this.

As of June 30, 2003, GSLM had contributed a total of approximately \$180,000, and the University of Tasmania had reported a total expenditure of approximately \$220,000.

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE E - CONTINGENT LIABILITIES

Fees payable and dependent on a public float of shares of GSLM are as follows:

	June 30,	
	2003	2002
Secretarial Services	\$ 37,663	\$ 31,873

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment at cost, less accumulated depreciation, is as follows:

	June 30,	
	2003	2002
Property and equipment	\$ 40,005	\$ 33,856
Less: accumulated depreciation	22,898	13,219
	<u>\$ 17,107</u>	<u>\$ 20,637</u>

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	2003	2002
Promissory note from individual, interest at 10%, due on demand.	\$ 98,135	\$ -
Promissory note from individual, interest at 10%, due on demand.	65,315	-
Asset purchase loan for vehicle, interest at 9.75%, due monthly through November 2006.	13,466	13,438
	176,916	13,438
Less: current portion	165,863	2,042
	<u>\$ 11,053</u>	<u>\$ 11,396</u>

As of June 30, 2003, the maturities of the Company's long-term debt consist of the following:

<u>Year Ended June 30,</u>	
2005	3,603
2006	3,603
2007	3,847
	<u>\$ 11,053</u>

NOTE H - LITIGATION

On May 10, 2002, the Company signed a contract with OME Resources Australia P/L (OMERA) by which OMER A may earn a joint venture interest in SEL 13/98 by conducting drilling and related work. The agreement between GSLM and OMER A set up the Tasmania Exploration Joint Venture (TEJV).

Stage one of this work required the expenditure of a certain amount prior to September 30, 2002 to complete the drilling/coring of Hunterston #1 and other activities for a 5% interest in the licence.

As of September 30, 2002, GSLM recognized that OMER A had expended an amount on on-ground exploration. OMER A contended a different amount of expenditure incurred to September 30, 2002.

Management and OMER A attempted to resolve this dispute by negotiation and mediation. OMER A referred the dispute by letter dated February 18, 2003 to the Registrar of Mines who referred the dispute to the Mining Tribunal (MT).

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2003 AND 2002

NOTE H - LITIGATION (Continued)

The dispute was first listed for hearing on May 6, 2003. The MT has made various procedural directions regarding the conduct of the MT proceedings. The MT proceeding was listed for further hearing on September 30, 2003.

An agreement was entered into with OMERA on August 8, 2003.

It was agreed that:

- Both parties will approach the Minister to gain his consent to vary SEL 13/98 such that:
 - OMERA is assigned a 100% interest in coal bed methane in SEL 13/98.
 - GSLM retains 100% interest in category 4 minerals, excluding coal bed methane in SEL 13/98.
- If the variation is agreed to by the Minister then:
 - OMERA accepts the coal bed methane rights in full and final settlement of all its claims.
 - OMERA agrees to complete the suspension of Hunterston #1 and the rehabilitation of the site at its cost.
 - GSLM will grant OMERA the first right of refusal for future drilling work on SEL 13/98 for 5 years from May 10, 2002.
 - Both parties to agree to the discontinuation of the Mining Tribunal proceedings.

NOTE I - SUBSEQUENT EVENTS

In August 2003, the Company and OMERA entered into an agreement. This agreement is conditional on the Minister granting his consent to vary the Licence SEL 13/98 as previously described. At the date of this report the variation has not been consented to by the Minister. On 29 November 2003, the variation was advertised for public comment within the proceeding 21 days.

GREAT SOUTH LAND MINERALS LIMITED**DIRECTORS' DECLARATION
JUNE 30, 2003 AND 2002**


In the opinion of the directors of Great South Land Minerals Limited:

- (a) the financial statements and notes, as set out on pages 3 to 17:
 - (i) Give a true and fair view of the balance sheets of the Company as at 30 June 2003 and 30 June 2002 and of its statement of operations, stockholders deficit and its cash flows, for the year ended on that date; and
 - (ii) Comply with accounting standards generally accepted in the United States.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Hobart this 9th day of December, 2003

Signed in accordance with a resolution of the directors:


Malcolm Bendall
Chairman


Clive Burrett
Director

Independent Auditors' Report

The Board of Directors
Great South Land Minerals Limited

We have audited the accompanying balance sheets of Great South Land Minerals Limited (the "Company") as of June 30, 2003 and 2002, and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

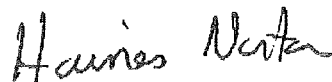
We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great South Land Minerals Limited at June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has a working capital deficiency, has incurred net losses in recent years, and has a significant accumulated deficit. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters are described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



M D Nicholaeff
Partner



Haines Norton
Chartered Accountants


Dated 11th December, 2003.
at Sydney, Australia

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GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2002

DIRECTORS' REPORT

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASH FLOWS

NOTES TO ACCOUNTS

DIRECTORS' STATEMENT

INDEPENDENT AUDIT REPORT

DIRECTORS REPORT

Your Directors present their report on the Company for the year ended 31st March 2002.

DIRECTORS

The names of directors in office at the date of this report are:

Mr Malcolm Bendall	Chairman (appointed to the Board 17 August 2001)
Mr David Tanner,	CEO and Managing Director
Dr Clive Burrett,	Chief Geologist, Director
Mr Stephen Powell,	Non – Executive Director
Mr Richard Watson,	Non – Executive Director

Directors have been in office since the start of the financial year unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the company during the last financial year was exploration for and development of sub-surface hydrocarbons in Tasmania.

OPERATING RESULTS

Total exploration expenditure by the Company for the financial year ended 31st March 2002 was \$2,015,348. Operating loss after income tax was \$937,441 bringing accumulated losses at the end of the year to \$2,247,375.

REVIEW OF OPERATIONS

Great South Land Minerals Limited has acquired 659.125 line kilometres of 2D seismic data over the Central Highlands and the North Midlands parts of exploration licence area SEL 13/98.

All properties that were affected by the survey have been de-permitted. A questionnaire was sent to the 192 individual landowners affected by the seismic program. The questionnaire requested confirmation that all fences and gates had been returned to their original condition. 71 or 37% of landowners replied to the questionnaire with the overwhelming majority confirming that the seismic survey had been conducted in a professional manner.

The processing of the seismic data by Robertson has been completed with final and migrated stacks received for all lines.

Galen Treadgold of Weinman GeoScience has completed a technical evaluation of the exploration potential of the licence SEL 13/98. The evaluation involved a review of previously published papers and the recently acquired seismic data. His report states that there is a high probability that hydrocarbons are present in subsurface traps and the necessary elements for economic hydrocarbons are present. His report also includes recommendations for the ongoing exploration program.

Planning for the next seismic survey, TB02, is underway and conditional approval has been granted by Mineral Resources Tasmania and DPIWE. Environment Australia has ruled that the survey, TB02, is not a controlled action and approval under Part 9 of the Act is not required. DIER has issued permits to allow the use of road reservations for the survey.

Conditional approval has been 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. A rig has been moved onto site and the BOP stack has been nipped up ready to start once negotiations with the drilling contractor are concluded.

A well plan has been developed for a second stratigraphic well, to be called Gezer #1. Gezer #1 is planned to be drilled from a location approximately 5 kilometres off-structure on the Bellevue anticline and near to the Marlborough Highway. The well plan has been submitted to Mineral Resources Tasmania for approval. Questions that were raised by MRT have been answered but to date no approval has been granted.

The SPIRT, joint research program with the University of Tasmania is continuing with the appointment of three PhD students. Mr Jubo Liu will be working on the modelling of fluid flow in and below the Tasmania Basin, Mr Andrew Stacey will be working on the structural evolution of Tasmania and Mr Alan Chester will be working on the Basin analysis of GSLM's lease area. The postdoctoral fellow, Dr Catherine Reid, is synthesizing data on the geological evolution of the Tasmania Basin. In addition Mr Paul Lane has started work on a structural interpretation of the Longford Basin using seismic data acquired by GSLM during 2001. This will form the basis of an honours thesis.

AFTER BALANCE DATE EVENTS

On 11 May 2002 the company signed a contract with OME Resources Australia by which OME Resources may earn a joint venture interest in SEL 13/98 by conducting drilling and related work. Stage 1 of this work relates to the expenditure of \$1,000,000 to complete the drilling / coring of Hunterston #1 and other activities for a 5% interest in the licence. There is an optional Stage 2 where an expenditure of \$2,000,000 on on-ground exploration would earn a further 10% interest in the licence.

The undertaking to issue Cyber Finance Group with a further 15% of the issued capital in GSLM upon achieving public listing, as per Clause 3.5 of their Agreement, will be satisfied by the issue of 7,910,250 shares to Cyber. This issue of shares has been approved by the Directors of GSLM. 3,955,125, fully paid shares have been issued in May 2002 and it is the Directors' intention that a further 3,955,125 fully paid shares will be issued on the successful listing of the company.

100,000 additional shares at the price of \$0.25 each were issued 2 April 2002 to existing shareholders. Funds related to these shares were received in January 2002.

24,000 additional shares at the price of \$0.25 each were issued 16 May 2002 to existing shareholders. Funds related to these shares were received in May 2002.

GREAT SOUTH LAND MINERALS LIMITED

On 15 May 2002 the company signed a memorandum of understanding with Discovery Oil Limited of Malibu California, a public company listed on OTCBB, to merge operations so that GSLM becomes a wholly owned subsidiary of Discovery Oil Limited. This memorandum includes a provision for the initial capital raising of US\$2,500,000 off market placement in the USA.

FUTURE DEVELOPMENTS

Planning has commenced for the next seismic program to be carried out in the 2002/2003 season. This will include further prospect definition work to confirm closure on structures discovered earlier this year, together with an extension of the regional program covering southern and eastern areas of the Tasmania Basin.

The Board has also committed to an initial drilling program of up to five wells, with completion of the Hunterston stratigraphic well expected to proceed before the end of 2002.

The minimum cumulative expenditure on exploration activities up to May 18, 2002 will be \$4,000,000 in order to comply with licence commitments on SEL 13/98.

INFORMATION ON DIRECTORS

Mr Malcolm Bendall, Chairman

Mr Bendall (42) was a founding Director of Great South Land Minerals Limited. Mr Bendall has published in an international petroleum journal and worked as a mine manager and drilling supervisor. He is a Fellow of the Institute of Company Directors Tasmania.

Shareholding at the date of this report – 9,087,168 ordinary shares through Condor Oil Investment, The Bendall Family Trust and LOGOK Pty Ltd.

Mr David A Tanner, Director and Chief Executive Officer

Mr Tanner (55) is a Chartered Professional Engineer with wide experience in the mining, construction and energy industries. He became Exploration Manager for GSLM early in 1997 and joined the Board as a director and CEO in May 1997. He is a Member of the Institution of Engineers, Australia and a Fellow of the Australian Institute of Company Directors.

Shareholding at the date of this report – 1,455,296 ordinary shares.

Dr Clive F Burrett, Director and Chief Geologist

Dr Burrett (52) has been Head of the School of Earth Sciences at the University of Tasmania for the past three years, and was a founding director of GSLM.

Shareholding at the date of this report - 565,632 ordinary shares.

GREAT SOUTH LAND MINERALS LIMITED

Mr Stephen Powell

Stephen Powell (47) is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. The commercial operation in Prince of Wales Bay, Glenorchy is best known for its Hartz Mineral Waters. He took over management from his father in 1980, and has expanded operations into Australian and export markets. The group has won numerous industry awards, including New Exporter of the Year.

Shareholding at the date of this report – 294,400 ordinary shares through RR & SM Powell (Holdings) Pty Ltd.

Mr Richard Watson

Mr Watson (67) is the Chairman of Tassal Limited, Tassal Japan Limited and 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 Saltas Pty Ltd, Seafish Tasmania, Ringwood Pty Ltd, and the Tasmanian Chamber of Commerce and Industry Inc. He was previously a director of the Australian Institute of Company Directors and President of the Australian Institute of Company Directors Tasmania 1995-8.

Shareholding at the date of this report - 403,200 ordinary shares in the name of R J & S F Watson.

MEETINGS OF DIRECTORS

During the financial year, a total of seven meetings of directors were held.

Attendances were as follows:

	Number of Meetings Eligible to Attend	Meetings Attended
M. Bendall	5	4
D A Tanner	7	7
C F Burrett	7	2
R Watson	7	7
S Powell	7	7

AUDIT COMMITTEE

The company is not of a size nor are its financial affairs of such complexity to justify a separate Audit Committee of the Board of Directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

DIRECTORS' BENEFITS

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the parent entity, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director

GREAT SOUTH LAND MINERALS LIMITED

has a substantial financial interest, other than the benefits as disclosed in the notes to and forming part of the accounts.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity or related body corporate.

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

D A Tanner



Managing Director

Dated this 31st day of May 2002

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 31ST MARCH 2002

	<u>NOTE</u>	31/03/02 \$	30/06/00 \$
Revenues from ordinary activities	3	184	19,718
Directors' Fees		20,160	0
Occupancy expenses		24,000	24,000
Depreciation and amortisation expense		6,779	2,614
Borrowing costs expense		19,472	0
Administrative expenses		867,214	289,861
		<hr/>	<hr/>
Loss from ordinary activities before income tax expense		937,441	296,757
Income tax expense relating to ordinary activities		0	0
		<hr/>	<hr/>
Total changes in equity from non - owner related transactions attributable to the members of the company		937,441	296,757
		<hr/>	<hr/>

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2002

	<u>NOTE</u>	31/03/02 \$	30/06/00 \$
<u>CURRENT ASSETS</u>			
Cash Assets	13(a)	36,122	704
Receivables		466,128	19,718
Other	14	7,908	11,611
TOTAL CURRENT ASSETS		<u>510,158</u>	<u>32,033</u>
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	12(a)	43,698	6,418
Exploration Expenditure	1(f), 2	5,369,622	2,043,318
TOTAL NON CURRENT ASSETS		<u>5,413,320</u>	<u>2,049,736</u>
TOTAL ASSETS		<u>5,923,478</u>	<u>2,081,769</u>
<u>CURRENT LIABILITIES</u>			
Payables	11	1,587,632	111,763
Interest bearing liabilities	16	2,987	
TOTAL CURRENT LIABILITIES		<u>1,590,619</u>	<u>111,763</u>
<u>NON-CURRENT LIABILITIES</u>			
Interest bearing liabilities	16	21,609	0
TOTAL-NON CURRENT LIABILITIES		<u>21,609</u>	<u>0</u>
TOTAL LIABILITIES		<u>1,612,228</u>	<u>111,763</u>
NET ASSETS		<u>4,311,250</u>	<u>1,970,006</u>

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2002

	<u>NOTE</u>	31/03/02 \$	30/06/00 \$
<u>EQUITY</u>			
Contributed equity	8	6,558,625	3,088,049
Accumulated Profit (Losses)	15	<u>(2,247,375)</u>	<u>(1,118,043)</u>
TOTAL EQUITY		<u>4,311,250</u>	<u>1,970,006</u>

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2002

	31/03/02	30/06/00
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunded	333,364	0
Interest Received	184	
Borrowing costs paid	(19,472)	0
Payment to suppliers and employees and for Exploration & Evaluation Expenditure (including GST paid)	(2,689,141)	(216,025)
Net Cash used in Operating Activities	13(b) (2,375,065)	(216,025)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(17,300)	(530)
Net Cash used in Investing Activities	(17,300)	(530)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from short term loans	25,000	0
Proceeds from issue of shares	2,434,363	218,426
Repayments of borrowings	(1,606)	0
Net Cash provided by Financing Activities	2,457,757	218,426
Net Increase (Decrease) in Cash held	65,392	1,871
Cash at Beginning of Year	(29,270)	(1,167)
Cash at End of Year	13(a) 36,122	704

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002

NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non – current assets.

The financial report is prepared on a going concern basis. However significant uncertainties exist in relation to conditions that cast doubt upon the company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the company;
- Uncertainties in terms of the ability to generate cash flows in the future considering that production operations have not yet commenced;
- Extensive commitments for expenditure under the company's key mineral exploration lease; and
- Current liabilities of \$1,590,619 and current assets of \$510,158 including cash or cash equivalents of \$36,122.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts (including deferred exploration expenditure of \$5,369,622) or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

The company has planned the following activities and the following activities exist to address the above going concern issues:

- The directors have reviewed their short term cashflow requirements and consider that the company has or has access to sufficient funds to meet the financial obligations of the company until funds are received from the proposed equity fund raising activities. On current forecasts, assuming \$300,000 in funds from OME Resources Australia (OMERA)(refer below) are forthcoming, funds from the equity raising will be required prior to 31 December 2002. Should funds from the OMERA option not be forthcoming additional equity is likely to be required by August 2002.
- On 15 May 2002 the company signed a memorandum of understanding with Discovery Oil Limited of Malibu California, a public company listed on Nasdaq OTCBB, to merge operations so that Great South Land Minerals Limited (GSLM) becomes a wholly owned subsidiary of Discovery Oil Limited. The merger, if agreed to by the GSLM shareholders, will result in GSLM shareholders holding 80% of the

merged entity. The memorandum of understanding also calls for an initial fund raising to be made as soon as practical following the merger, to raise a sum of at least US\$2.5 million a component of which is expected to fund the Tasmanian operations. It is anticipated that the parties will use external brokers, dealers and consultants for this fund raising and it is not expected to be underwritten. The fund raising will be subject to the overriding requirements of the SEC and legislative requirements in the USA;

- On 11 May 2002 the company signed a contract with OMER A by which OMER A may earn a joint venture interest in SEL 13/98 by conducting drilling and related work. As a consideration for being granted this opportunity OMER A paid GSLM \$100,000 on the signing of the contract. Stage 1 of this work relates to the expenditure of \$1,000,000 by OMER A to complete the drilling / coring of Hunterston #1 and other activities for a 5% interest in the joint venture assets. There is an optional Stage 2 where an expenditure of \$2,000,000 by OMER A on on-ground exploration would earn a further 10% interest in the joint venture assets. OMER A has the opportunity to lock in the Stage 2 option by paying GSLM \$300,000 of the \$1,000,000 Stage 1 expenditure commitment before 30 June 2002;
- An offer information statement is being prepared to support a limited public capital raising. The directors expect that between \$2 million and \$5 million dollars would be able to be raised in the Australian market on the basis of the OMER A farm-in and the offer information statement. If the merger with Discovery Oil Limited goes ahead it is not envisaged that the company will proceed with the issue of the offer information statement; and
- An expression of interest to participate in a farm-in over an area of approximately 99 square kilometres of SEL 13/98 was received on 16 May 2002 from an independent energy exploration company. The proposal being discussed would involve the interested party acquiring a 90% interest in the production revenue from the specified farm-in area in return for funding one deep exploration well.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

b) Reclassification of financial information

Some line items and sub-totals reported in previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosure* and the new AASB 1040 *Statement of Financial Position*.

Adoption of these standards has resulted in the transfer of the reconciliation of the opening to closing accumulated losses from the face of the statement of financial performance to note 15.

The comparative information detailed in this financial report is in respect of the financial year ended 30 June 2000.

c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

f) Exploration Costs

Exploration costs incurred in the search for oil or natural gas fields are carried forward, as activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Exploration operations in the area of interest are continuing.

The area of interest is known as the Tasmanian Basin and the company holds current rights to tenure over any discovered reserves pursuant to Special Exploration Licence, 13/98.

GREAT SOUTH LAND MINERALS LIMITED

Significant amounts have been expended to complete this work. Drilling to date has shown traces of natural gas and oil but not in commercial quantities. The seismic program completed last year has shown evidence of major structures capable of containing significant reservoirs of commercial petroleum.

This information shows promise and accordingly continued exploration by the company is considered essential.

g) Taxation – Note 5

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

h) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(e).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

i) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

The carrying amount of receivables approximates fair value.

j) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration expenditure carried forward (refer Note 1(f)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

k) Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

l) Payables – Note 11

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

The carrying amount of accounts payable approximates net fair value.

m) Cash assets and bank overdrafts – Note 13

Cash assets including cash equivalent assets and bank overdraft are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets approximates net fair value.

NOTE 2 – CHANGE IN ACCOUNTING POLICY

Revaluation of non-current assets

The company applied the revised July 2001 version of AASB 1041 *Revaluation of Non-Current Assets* for the first time from 1 July 2000 in the annual financial report. The standard requires each class of non-current asset to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, foreign currency monetary assets, goodwill, investments accounted for using the equity method, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance.

The company has applied AASB 1041 as follows:

Property, Plant & Equipment and Exploration Costs Carried Forward

The company has adopted a cost basis for Property, Plant & Equipment and Exploration Costs Carried Forward and has deemed the cost of these assets to be equal to the carrying value of these assets as at 1 July 2000 as disclosed in the comparative figure. The change in accounting policy has no financial effect in the financial year ended 31 March 2002 or prior financial years.

GREAT SOUTH LAND MINERALS LIMITED

31/03/02
\$

30/06/00
\$

NOTE 3 – OPERATING LOSS FROM ORDINARY ACTIVITIES

(a) Expenses

Operating loss from ordinary activities before income tax has been determined after:

Directors' Fees	20,160	0
Depreciation of Non Current Assets	6,779	2,614
Interest paid to other parties	19,472	45
Rental expense relating to operating leases	24,000	24,000
Administration Expenses	867,214	289,861

(b) Revenue

Revenue from outside operating activities	184	19,718
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NOTE 4 – AUDITORS REMUNERATION

Audit services		
Auditors of the company	10,500	4,000
Other services		
Auditors of the company	1,881	0
KPMG related practices	<u>6,575</u>	<u>0</u>
	<u>18,956</u>	<u>4,000</u>

NOTE 5 - TAXATION

The amount of income tax attributable to the financial year differs from the prima facie amount calculated on the operating loss. The differences are reconciled as follows:

Operating loss before income tax	(937,441)	(296,757)
Prima facie income tax benefit at 34% (2000: 36%)	(318,729)	(106,833)
Tax effect of permanent differences:		
Non deductible expenditure	800	29
Future income tax benefit relating to tax losses not brought to account	<u>318,457</u>	<u>106,753</u>
Income tax benefit attributable to operating loss	<u>0</u>	<u>0</u>

The Directors estimate that the potential future income tax benefit at 30 June 2001 in respect of revenue and exploration tax losses not brought to account is:

1,246,602	862,630
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The Company is taxed as a public company. The benefit of tax losses will only be obtained if:

GREAT SOUTH LAND MINERALS LIMITED

- a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) the Company continues to comply with the conditions for deductibility imposed by the law;
- c) and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

NOTE 6 – RELATED PARTIES

(a) Directors

The following persons were Directors of the Company during the financial year.

Mr MR Bendall
Dr CF Burrett
Mr DA Tanner
Mr SM Powell
Mr RJ Watson

Unless otherwise stated, the directors held office for the whole of the financial year.

(b) Directors' Holdings of Shares

The aggregate number of shares held directly, indirectly or beneficially in the Company by directors or their director related entities at year end was:-

Ordinary Shares	31/03/02	30/06/00
Dr Clive F Burrett	565,632	5,238
RR & SM Powell (Holdings) Pty Ltd - Mr SM Powell	294,400	1,000
Mr David A Tanner	1,455,296	17,353
Mr Richard J Watson	403,200	2,700
Condor Oil Investment	3,691,712	50,762
The Bendall Family Trust	4,487,196	72,420
LOGOK Pty Ltd	900,224	12,378

(c) Directors and Director Related Transaction

- (a) David A Tanner provided consultancy services to the company during the year under normal commercial terms and conditions.

(b) Loans from Directors	31/03/02	30/06/00
	\$	\$
Directors unsecured interest free loans at call to the company.	147,523	24,850

GREAT SOUTH LAND MINERALS LIMITED

	31/03/02	30/06/00
	\$	\$
(c) Advances to Directors	31,504	0

Advances to directors represent amounts prepaid to directors to meet expenses incurred by the directors on behalf of the company. The advances are expected to be fully collectable. The recipients of the advances were Mr Malcolm Bendall and Dr Clive Burrett and amounts advanced were \$29,465 and \$2,039 respectively.

- (d) From 1st July 2000 to 31st March 2002 the following share issues were made to Directors or Director Related Entities:

	Pre-bonus	Post-bonus
David A Tanner	5,966	381,824
Stephen M. Powell - RR & SM Powell (Holdings) Pty Ltd	3,600	230,400
Richard J Watson	3,600	230,400
Dr Clive F Burrett	3,600	230,400
The Bendall Family Trust	9,873	631,892
Condor Investment Pty Ltd	6,921	442,944

- (e) Issue of Pre - Bonus shares for other than cash

Shares issued where consideration is exploration and other expenditure incurred on behalf of the Company or other services.

		31/03/02	30/06/00
	Pre Bonus Shares	\$	Shares \$
Condor Investments Unit Trust			6,306 70,626
David James Bendall Family Trust			1,899 21,255
Tanner David A	3,600	20,160	6,893 77,200
Wise Gordon M			756 8,461
Balmoral Capital Pty Ltd			4,592 51,430
Gregory Kunda			1,071 12,000
Logok Pty Ltd			1,607 18,000
Gordon Campbell & Associates Pty Ltd			90 1,000
Clive Francis Burrett	3,600	20,160	
R J Watson	3,600	20,160	
RR & SM Powell	3,600	20,160	
B Devlin	696	3,898	
AL & RA Steel	1,080	6,048	
PN Heath	430	2,408	
EA Cole-Cook	711	3,982	
R Tabor	6,000	33,600	

GREAT SOUTH LAND MINERALS LIMITED

NOTE 7 - DIRECTORS' REMUNERATION

Directors Income	31/03/02	30/06/00
	\$	\$
The number of directors of the Company whose income from the Company or any related party falls within the following bands:		
\$20,000 - \$29,999	3	
\$50,000 - \$59,999		2
\$120,000 - \$129,999	1	
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.	181,347	109,430

Retirement Benefits

Retirement benefits paid to directors of the Company and controlled entities, being amounts that have been previously approved by the members of the company in a general meeting.

0	0
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The amounts disclosed in aggregate as the directors believe that the provision of full particulars would be unreasonable.

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

GREAT SOUTH LAND MINERALS LIMITED

NOTE 8 - CONTRIBUTED EQUITY

Issued and paid up capital	31/03/02	30/06/00
	\$	\$
53,095,040 Ordinary Shares (2000: 327,454) fully paid	<u>6,558,625</u>	<u>3,088,049</u>

	Price	Shares	31/03/02 \$	Shares	30/06/00 \$
Balance at the beginning of the year		327,454	3,085,085	268,269	2,609,651
Accounting error adjustment		0	2,964		
Issued 1/5/2001 allotted pre 1/4/2001		178,571	1,000,000		
Adjusted Balance 1 April 2001		506,025	4,088,049		

Shares Issued Cash

28/03/2002	0.25	360,000	90,000		
18/10/2001	5.60	180	1,008		
03/09/2001	8.00	125,000	1,000,000		
27/06/2001	5.60	13,470	75,432		
19/06/2001	5.60	30,993	173,561		
02/05/2001	8.00	125,000	1,000,000		
27/07/1999	11.20			1,000	11,200
04/08/1999	11.20			1,500	16,800
07/10/1999	5.60			179	1,002
03/11/1999	5.60			2,700	15,120
08/11/1999	5.60			536	3,002
24/11/1999	5.60			4,057	22,719
30/12/1999	5.60			1,786	10,002
31/01/2000	5.60			1,125	6,300
25/02/2000	5.60			23,088	129,293

Shares Issued – Exploration and other expenditure

21/06/2001	5.60	23,317	130,575		
31/08/2000	11.20			21,315	238,728
30/09/1999	11.20			1,899	21,269

Bonus Issues

31/05/2001	7,875,000	0		
63 Shares for each share held				
31/05/2001	44,036,055	0		
63 Shares for each share held				

Total		<u>53,095,040</u>	<u>6,558,625</u>	<u>327,454</u>	<u>3,085,085</u>
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GREAT SOUTH LAND MINERALS LIMITED

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meeting.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are entitled to any proceeds of liquidation.

NOTE 9 – COMMITMENTS

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	31/03/02	30/06/00
	\$	\$
No later than one year	2,000,000	2,000,000
Later than one year by not later than five years	2,500,000	6,000,000
Later than five years	0	0
	<u>4,500,000</u>	<u>8,000,000</u>

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	8,646	4,468
Later than one year but not later than five years	15,235	14,894
Later than five years	0	0
	<u>23,881</u>	<u>19,362</u>

31/03/02	30/06/00
\$	\$

NOTE 10 – CONTINGENT LIABILITIES.

Fees payable and dependent on a public float of shares of Great South Land Minerals Limited.

- Secretarial Services	56,425	39,395
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The undertaking to issue Cyber Finance Group with a further 15% of the issued capital in GSLM upon achieving public listing, as per Clause 3.5 of their Agreement, will be satisfied by the issue of 7,910,250 shares to Cyber. This issue of shares has been approved by the Directors of GSLM. 3,955,125, fully paid shares have been issued in May 2002 and it is the Directors' intention that a further 3,955,125 fully paid shares will be issued on the successful listing of the company.

GREAT SOUTH LAND MINERALS LIMITED

	31/03/02	30/06/00
	\$	\$
<u>NOTE 11 – PAYABLES</u>		
Creditors and accruals	1,440,109	86,913
Loan from directors 6(c)	<u>147,523</u>	<u>24,850</u>
	<u>1,587,632</u>	<u>111,763</u>

Certain trade creditors are secured by a charge over the assets of the company. The maximum prospective liability secured is \$1,000,000. The liability on 28 May 2002 is \$382,803. A default notice was served on the company on 10 January 2002. The carrying amount of payables approximates net fair value.

NOTE 12 – PROPERTY PLANT & EQUIPMENT AND EXPLORATION EXPENDITURE

(a) Plant & Equipment

Plant & equipment at cost less accumulated depreciation.

Property, Plant and Equipment - at Cost 1(i), 1(j), 2	61,086	14,750
Less accumulated depreciation	<u>17,388</u>	<u>(8,332)</u>
	<u>43,698</u>	<u>6,418</u>

(b) Exploration Expenditure

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the area.

(c) Movement in Carrying Amounts

Movement in the carrying amounts of each class of property, plant and equipment and exploration expenditure between the beginning and the end of the financial year

	Plant and equipment	Exploration Expenditure
Balance at the beginning of the year	6,975	3,354,274
Additions	43,502	2,015,348
Depreciation	<u>(6,779)</u>	<u>0</u>
Carrying amount at the end of the year	<u>43,698</u>	<u>5,369,622</u>

GREAT SOUTH LAND MINERALS LIMITED

NOTE 13 – NOTES TO STATEMENT OF CASH FLOWS

	31/03/02	30/06/00
(a) Reconciliation of Cash		
Cash at the End of the Financial Year as shown in the statement of cash flows is reconciled to Items in the Balance sheet as follows:		
Cash and Cash Advances	31,904	0
Cash Trust Account	241	132
Cash at Bank (overdraft)	3,977	572
	<u>36,122</u>	<u>704</u>
(b) Reconciliation of cash flow from Operations with Operating Profit / Loss after Income Tax		
Operating Profit / (Loss) after Income Tax	(937,441)	(296,757)
NON - CASH FLOWS IN OPERATING LOSS AND EXPLORATION EXPENDITURE		
Depreciation	6,779	2,614
CHANGES IN ASSETS AND LIABILITIES		
(Increase) Decrease in Exploration Expenditure	(2,015,348)	0
(Increase) Decrease in Prepayments	3,703	(16,981)
Increase (Decrease) in Trade and Other creditors	570,263	132,039
(Increase) Decrease in Sundry Debtors and Receivables	(3,021)	(36,940)
Net Cash used in Operating Activities	<u>(2,375,065)</u>	<u>(216,025)</u>

NOTE 14 – OTHER CURRENT ASSETS

Prepayments	<u>7,908</u>	<u>11,611</u>
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NOTE 15 – ACCUMULATED LOSSES

Accumulated losses at beginning of year	1,309,934	821,286
Current year loss	<u>937,441</u>	<u>296,757</u>
Accumulated losses at the end of the year	<u>2,247,375</u>	<u>1,118,043</u>

GREAT SOUTH LAND MINERALS LIMITED

NOTE 16 – INTEREST BEARING LIABILITIES

Current

Asset Purchase Loan	2,987	0
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Non-current

Asset Purchase Loan	21,609	0
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The asset purchase loan is secured by a bill of sale over the motor vehicle. The carrying amount of the pledged motor vehicle is \$23,582. The loan bears interest of 9.75%pa. Repayments are made monthly.

NOTE 17 – OTHER INFORMATION

- | | | |
|-------------------------------------|---|---|
| (a) Number of employees at year end | 4 | 8 |
|-------------------------------------|---|---|
- (b) Great South Land Minerals Limited is incorporated in Hobart, Tasmania, Australia, whose principal Executive Office is at level 3, 65 Murray Street, Hobart, Tasmania, Australia.

NOTE 18 – POST BALANCE DATE EVENTS

On 11 May 2002 the company signed a contract with OME Resources Australia by which OME Resources may earn a joint venture interest in SEL 13/98 by conducting drilling and related work. Stage 1 of this work relates to the expenditure of \$1,000,000 to complete the drilling / coring of Hunterston #1 and other activities for a 5% interest in the joint venture assets. There is an optional Stage 2 where an expenditure of \$2,000,000 on on-ground exploration would earn a further 10% interest in the joint venture assets.

The undertaking to issue Cyber Finance Group with a further 15% of the issued capital in GSLM upon achieving public listing, as per Clause 3.5 of their Agreement, will be satisfied by the issue of 7,910,250 shares to Cyber. This issue of shares has been approved by the Directors of GSLM. 3,955,125, fully paid shares have been issued in May 2002 and it is the Directors' intention that a further 3,955,125 fully paid shares will be issued on the successful listing of the company.

100,000 additional shares at the price of \$0.25 each were issued 2 April 2002 to existing shareholders. Funds related to these shares were received in January 2002.

24,000 additional shares at the price of \$0.25 each were issued 16 May 2002 to existing shareholders. Funds related to these shares were received in May 2002.

On 15 May 2002 the company signed a memorandum of understanding with Discovery Oil Limited of Malibu California, a public company listed on OTCBB, to merge operations so that GSLM becomes a wholly owned subsidiary of Discovery Oil Limited. This memorandum includes a provision for the initial capital raising of US\$2,500,000 off market placement in the USA.

GREAT SOUTH LAND MINERALS LIMITED

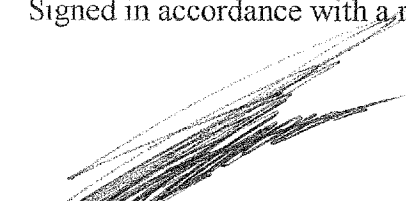
DIRECTORS' DECLARATION


In the opinion of the directors of Great South Land Minerals Limited:

- (a) the financial statements and notes, set out on pages 7 to 24, are in accordance with the Corporations Act, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 March 2002 and of their performance, as represented by the results of their operations and their cashflows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulation; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Hobart this 31st day of May 2002

Signed in accordance with a resolution of the directors:


Malcolm R Bendall
Chairman


David A Tanner
Managing Director



Independent audit report to the members of Great South Land Minerals Limited

Scope

We have audited the financial report of Great South Land Minerals Limited for the financial year ended 31 March 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 7 to 25. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed below, attention is drawn to the following matter. As a result of the matters described in Note 1(a), there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.





Audit opinion

In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's position as at 31 March 2002 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

KPMG
KPMG

Matthew Wallace

Matthew Wallace
Partner

Hobart

31 May 2002



GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2001

DIRECTORS' REPORT

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

STATEMENT OF CASH FLOWS

NOTES TO ACCOUNTS

DIRECTORS' STATEMENT

INDEPENDENT AUDIT REPORT

GREAT SOUTH LAND MINERALS LIMITED

A total of 659 line kilometres of seismic data acquisition was completed this season, at a cost to date of \$2,350,370. This comprises over 50% of all onshore 2D seismic work carried out in Australia during the first half of 2001. The Licence commitment of at least 600 km acquisition and \$2,000,000 expenditure has been more than satisfied. Processing of this data is continuing under a contract awarded to Robertson Research Australia Pty Ltd in Perth, with initial interpretation work being carried out by Dr Michael Swift of Applied GeothermEx Pty Ltd in Brisbane.

Great South Land Minerals Limited together with the School of Earth Sciences at the University of Tasmania have successfully applied for a Strategic Partnership with Industry – Research and Training Scheme grant. This grant will 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. This project is being supported by a \$417,000 Federal Government grant, with GSLM contributing \$253,000 plus in-kind support over the next three years.

AFTER BALANCE DATE EVENTS

A further funding commitment of \$1,000,000 has been negotiated with Cyber Finance Group in order to cover expenses for completion of the current exploration program and other operating costs. Negotiations are proceeding with a number of parties interested in a major equity placement in GSLM up to a level of \$15,000,000 and a Heads of Agreement with US-based Austral Pacific Limited was signed on 8 November 2001. Preparation of Joint Venture farmin documentation is also in progress. Work continues on a prospectus for the public float or compliance listing of Great South Land Minerals Limited.

The undertaking to issue Cyber Finance Group with a further 15% of the issued capital in GSLM upon Cyber achieving a public listing of GSLM, as per Clause 3.5 of their Agreement, has been satisfied through the issue of 7,910,250 part-paid shares to Cyber, which will become fully paid once the company lists.

Mr Malcom R. Bendall was appointed as a Director and Board Chairman on 17th August 2001

FUTURE DEVELOPMENTS

Planning has commenced for the next seismic program to be carried out in the 2001/2002 season. This will include further prospect definition work to confirm closure on structures discovered earlier this year, together with an extension of the regional program covering southern and eastern areas of the Tasmania Basin.

The Board has also committed to an initial drilling program of up to five wells, with completion of the Hunterston stratigraphic well expected to proceed before the end of 2001.

Minimum expenditure on exploration activities in the next financial year will be \$2,000,000 in order to comply with licence commitments on SEL 13/98.

GREAT SOUTH LAND MINERALS LIMITED

MEETINGS OF DIRECTORS

During the financial year, a total of five meetings of directors were held.

Attendances were as follows:

	Number of Meetings Eligible to Attend	Meetings Attended
D A Tanner	5	5
C F Burrett	5	5
R Watson	5	5
S Powell	5	3
Dr H J Askin – resigned 25 th February 2001	2	2
I S A Reid – resigned 25 th February 2001	2	2
A Humphris – resigned 25 th February 2001	2	1

AUDIT COMMITTEE

The company is not of a size nor are its financial affairs of such complexity to justify a separate Audit Committee of the Board of Directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

DIRECTORS' BENEFITS

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the parent entity, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than the benefits as disclosed in the notes to and forming part of the accounts.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity or related body corporate.

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

D A Tanner 

Managing Director

Dated this 22nd day of November 2001

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2001

	<u>NOTE</u>	2001 \$	2000 \$
<u>CURRENT ASSETS</u>			
Cash Assets	13(a)	46,288	704
Pre-paid Exploration Licence		17,672	11,611
Receivables		750,568	19,718
<u>TOTAL CURRENT ASSETS</u>		814,528	32,033
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment - at Cost	1(i), 1(j), 2	29,104	14,750
Less Provision for Depreciation		(11,368)	(8,332)
Exploration Expenditure	1(e), 2	4,892,126	2,043,318
<u>TOTAL NON CURRENT ASSETS</u>		4,909,862	2,049,736
<u>TOTAL ASSETS</u>		5,724,390	2,081,769
<u>CURRENT LIABILITIES</u>			
Payables	11	1,720,789	86,913
Loans from Directors	6(c)	88,420	24,850
<u>TOTAL CURRENT LIABILITIES</u>		1,809,209	111,763
<u>TOTAL LIABILITIES</u>		1,809,209	111,763
<u>NET ASSETS</u>		3,915,181	1,970,006

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED 30th JUNE 2001**

	2001	2000
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
GST refunded	79,593	0
Interest Received	8	0
Payment to suppliers and employees and for Exploration & Evaluation Expenditure (including GST paid)	(2,400,239)	(216,025)
Net Cash used in Operating Activities	13(b) (2,320,638)	(216,025)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(14,354)	(530)
Net Cash used in Investing Activities	(14,354)	(530)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Shares	2,380,576	218,426
Net Cash provided by Financing Activities	2,380,576	218,426
Net Increase (Decrease) in Cash held	45,584	1,871
Cash at Beginning of Year	704	(1,167)
Cash at End of Year	13(a) 46,288	704

GREAT SOUTH LAND MINERALS LIMITED

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

GREAT SOUTH LAND MINERALS LIMITED

g) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(d).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

h) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

The carrying amount of receivables approximates fair value.

i) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration expenditure carried forward (refer Note 1(e)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

j) Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives

GREAT SOUTH LAND MINERALS LIMITED

	2001	2000
	\$	\$

NOTE 3 – OPERATING LOSS FROM ORDINARY ACTIVITIES

(a) Expenses

Operating Loss from ordinary activities before income tax has been determined after:

Directors' Fees	80,640	0
Depreciation of Non Current Assets	3,036	2,614
Interest paid to other parties	44	45
Rental expense relating to operating leases	24,000	24,000

(b) Revenue

Revenue from outside operating activities	0	19,718
Interest received from other parties	<u>8</u>	<u>0</u>
	<u>8</u>	<u>19,718</u>

NOTE 4 – AUDITORS REMUNERATION

Auditing the financial report	5,500	4,000
Other services	<u>915</u>	<u>0</u>
	<u>6,415</u>	<u>4,000</u>

NOTE 5 - TAXATION

The amount of income tax attributable to the financial year differs from the prima facie amount calculated on the operating loss. The differences are reconciled as follows:

Operating loss before income tax	(435,400)	(296,757)
Prima facie income tax benefit at 34% (2000: 36%)	(148,036)	(106,833)
Tax effect of permanent differences:		
Non deductible expenditure		29
Future income tax benefit relating to tax losses not brought to account	148,036	106,753
Income tax benefit attributable to operating loss	<u>0</u>	<u>0</u>

The Directors estimate that the potential future income tax benefit at 30 June 2001 in respect of revenue and exploration tax losses not brought to account is:

	1,010,666	862,630
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GREAT SOUTH LAND MINERALS LIMITED

(c) Directors and Director Related Transaction

(a) David A Tanner provided consultancy services to the company during the year under normal commercial terms and conditions.

(b) Loans from Directors	2001	2000
	\$	\$
Directors unsecured interest free loans at call to the company.	88,420	24,850

(d) From 1st July 2000 to 30th June 2001 the following share issues were made to Directors or Director Related Entities:

	Pre-bonus	Post-bonus
David A Tanner	5,966	381,824
Stephen M. Powell - RR & SM Powell (Holdings) Pty Ltd	3,600	230,400
Richard J Watson	3,600	230,400
Dr Clive F Burrett	3,600	230,400
The Bendall Family Trust	9,873	631,892
Condor Investment Pty Ltd	6,921	442,944

(e) Issue of Pre - Bonus shares for other than cash

Shares issued where consideration is exploration and other expenditure incurred on behalf of the Company or other services.

	2001		2000	
	Pre Bonus Shares	\$	Shares	\$
Condor Investments Unit Trust			6,306	70,626
David James Bendall Family Trust			1,899	21,255
Tanner David A	3,600	20,160	6,893	77,200
Wise Gordon M			756	8,461
Balmoral Capital Pty Ltd			4,592	51,430
Gregory Kunda			1,071	12,000
Logok Pty Ltd			1,607	18,000
Gordon Campbell & Associates Pty Ltd			90	1,000
Clive Francis Burrett	3,600	20,160		
R J Watson	3,600	20,160		
RR & SM Powell	3,600	20,160		
B Devlin	696	3,898		
AL & RA Steel	1,080	6,048		
PN Heath	430	2,408		
EA Cole-Cook	711	3,982		
R Tabor	6,000	33,600		

GREAT SOUTH LAND MINERALS LIMITED

NOTE 8 - CONTRIBUTED EQUITY

Issued and paid up capital

	2001 \$	2000 \$
44,735,040 Ordinary Shares (2000: 327,454) fully paid	5,468,625	3,088,049

	Price	Shares	2001 \$	Shares	2000 \$
Balance at the beginning of the year		327,454	3,085,085	268,269	2,609,651
Accounting error adjustment		-	2,964		
Re-stated prior years		327,454	3,088,049		
Closing share capital					

Shares Issued Cash

21/02/2001	5.60	78,571	1,000,000		
21/02/2001	8.00	125,000	1,000,000		
24/05/2001	5.60	44,643	250,001		
27/07/1999	11.20			1000	11,200
04/08/1999	11.20			1500	16,800
07/10/1999	5.60			179	1,002
03/11/1999	5.60			2700	15,120
08/11/1999	5.60			536	3,002
24/11/1999	5.60			4057	22,719
30/12/1999	5.60			1786	10,002
31/01/2000	5.60			1125	6,300
25/02/2000	5.60			23088	129,293

Shares Issued – Exploration and other expenditure

31/08/2000	11.20			21315	238,728
21/06/2001	5.60	23,317	130,575		
30/09/1999	11.20			1899	21,269

Bonus Issues

29/06/2001	44,036,055	0			
63 Shares for each share held					

Total	44,735,040	5,468,625	327,454	3,085,085	
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GREAT SOUTH LAND MINERALS LIMITED

NOTE 12 – PROPERTY PLANT & EQUIPMENT AND EXPLORATION EXPENDITURE

MOVEMENT IN CARRYING AMOUNTS

2001
2001
\$
\$
 Movement in the carrying amounts of each class of property, plant and equipment and exploration expenditure between the beginning and the end of the financial year

	Plant and equipment	Exploration Expenditure
Balance at the beginning of the year	6,418	2,043,318
Additions	14,354	2,848,808
Depreciation	<u>(3,036)</u>	<u>0</u>
Carrying amount at the end of the year	<u>17,736</u>	<u>4,892,126</u>

Value of Exploration Lease Area

In addition to Exploration Expenditure carried forward, the Board wishes to note that SEL 13/98 has been valued at \$48,000,000 based on the positive seismic survey results and is supported by the Assessment of Value as agreed by Independent Geologist Dr Larry Wakefield on 9 August 2000.

NOTE 13

- (a) Reconciliation of Cash
 Cash at the End of the Financial Year as shown
 in the statement of cash flows is reconciled to
 Items in the Balance sheet as follows:

Cash and Cash Advances	18,429	0
Cash Trust Account	152	132
Cash at Bank (overdraft)	<u>27,707</u>	<u>572</u>
	<u>46,288</u>	<u>704</u>

GREAT SOUTH LAND MINERALS LIMITED

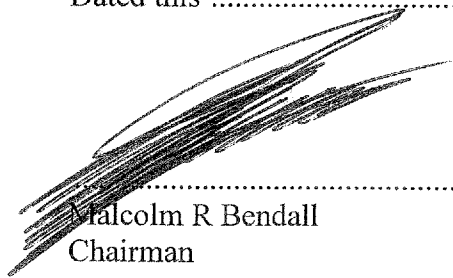
DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages [6 – 22]
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 30 June 2001 and performance for the year ended on that date of the company.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated this 22nd day of November 2001


Malcolm R Bendall
Chairman


David A Tanner
Managing Director

Independent audit report to the members of Great South Land Minerals Limited

Scope

We have audited the financial report of Great South Land Minerals Limited for the financial year ended 30 June 2001, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 14, and the directors' declaration set out on pages 6 to 23. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed below, attention is drawn to the following matter. As a result of the matters described in Note 1(a), there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



Audit Opinion

In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's position as at 30 June 2001 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.


KPMG



Matthew Wallace
Partner

Place: *Hobart*

Date: *23 November, 2001*



GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2000

DIRECTORS' REPORT

PROFIT & LOSS ACCOUNT

BALANCE SHEET

STATEMENT OF CASH FLOWS

NOTES TO ACCOUNTS

DIRECTORS STATEMENT

INDEPENDENT AUDIT REPORT

DIRECTORS REPORT

Your Directors present their report on the Company for the year ended 30th June 2000

DIRECTORS

The names of directors in office at the date of this report are:

Dr Henry Askin, Chairman
Mr David Tanner, CEO
Dr Clive Burrett, Chief Geologist
Mr Ian Reid, Technical Director
Mr Stephen Powell
Mr Richard Watson
Mr Alan Humphris

PRINCIPAL ACTIVITIES

The principal activity of the company during the last financial year was exploration for and development of sub-surface hydrocarbons in Tasmania.

OPERATING RESULTS

Total exploration expenditure by the Company for the financial year ended 30th June 2000 was nil. Operating loss after income tax was \$296,757 bringing accumulated losses at the end of the year to \$1,118 043.

REVIEW OF OPERATIONS

No field exploration activities have been carried out this year. A range of technical reviews of existing data were undertaken, and a major report by Independent Geologist Dr Larry Wakefield was commissioned. Most of the Company's efforts have been directed towards securing funding for an industry-standard exploration program across an expanded area of the Tasmania Basin, and the successful negotiations with government for a continuation of Special Exploration Licence 13/98 through removal of the requirement to float the company by June 2000.

AFTER BALANCE DATE EVENTS

A major achievement since 30th June has been the successful negotiation of a Heads of Agreement with Cyber Finance of Hong Kong for provision of funding for a 600km seismic program during the coming summer. This will fulfill the main commitment under SEL 13/98 for completion of 600km of seismic acquisition and expenditure of at least \$2,000,000 by the second anniversary of the Licence.

GREAT SOUTH LAND MINERALS LIMITED

INFORMATION ON DIRECTORS**Dr Henry J Askin, Chairman**

Henry Askin (58) was the exploration manager with Shell Development (Australia) in Melbourne from 1990 to December 1997, when he retired from Shell at the age of 55. He was responsible for the conduct of the company's exploration programme, with particular focus on growth by acquisition of opportunities which were not only geologically attractive but also met economic thresholds.

Dr. Askin had 24 years service with Shell in Australia, Oman, Norway, the Netherlands and India. During this time he held various positions including seismic interpreter, chief geophysicist, seismic processing manager and immediately prior to returning to Australia, general manager of Shell India Production and Development. He is currently a Director of Askin Nominees Pty Ltd, specialising in upstream management advice.

He holds a Bachelor of Science from the University of Queensland and a first-class honours degree and PhD in nuclear physics from the Melbourne University.

He is a member of the Society of Exploration Geophysicists, an active member of the European Association of Geoscientists and Engineers, and a member of PESA.

Dr. Askin was appointed to the Board of GSLM as Chairman in August 1998.

Shareholding - 24,000 ordinary shares through Askin Nominees Pty Ltd.

500 ordinary shares in the name of H J Askin

Mr. David A Tanner, Director and Chief Executive Officer.

Mr. Tanner (54) is a Chartered Professional Engineer with wide experience in the mining, construction and energy industries. He became Exploration Manager for GSLM early in 1997 and joined the Board as a director and CEO in May 1997. He is a Member of the Institution of Engineers, Australia and a Fellow of the Australian Institute of Company Directors.

Shareholding - 17,353 ordinary shares.

Mr Ian S A Reid, Technical Director

Ian Reid (38) has more than 15 years worldwide hydrocarbon experience and spent three years in Oman where the geology is similar to the Tasmania Basin. He has worked in six countries as geologist, geophysicist and geochemist. He has worked in Holland and Vietnam as a geologist, New Zealand, Oman and Australia as a geophysicist and in Norway as a geochemist. He also spent three years evaluating farm-in opportunities for Shell Australia before establishing his own consultancy, Terra Firma Technology Pty Ltd.

Mr. Reid was appointed to the Board of GSLM in August 1998.

Shareholding - 12,149 ordinary shares through Terra Firma Technology.

Dr. Clive F Burrett, Director and Chief Geologist.

Dr. Burrett (51) is Head of the School of Earth Sciences at the University of Tasmania, and was a founding director of GSLM.

Shareholding - 5,238 ordinary shares.

GREAT SOUTH LAND MINERALS LIMITED

Mr. Stephen Powell

Stephen Powell (46) is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. The commercial operation in Prince of Wales Bay, Glenorchy is best known for its Hartz Mineral Waters. He took over management from his father in 1980, and has expanded operations into Australian and export markets. The group has won numerous industry awards, including New Exporter of the Year.

Shareholding – 1,000 ordinary shares through RR & SM Powell (Holdings) Pty Ltd.

Mr. Alan Humphris

Alan Humphris (59) is Managing Director of Balmoral Capital, a Sydney based corporate finance and advisory firm. Prior to establishing Balmoral Capital, he was Group Executive Director of Hambros Australia Limited and head of Hambros Corporate Finance Limited. Mr. Humphris was formerly a director of JP Morgan Australia Limited. He has over 20 years experience in merchant banking and has experience in advising resource companies.

Alan Humphris is Chairman of Property Investment Research Pty Ltd, a director of Isis Communications Ltd and a director of a number of public and private companies.

Alan Humphris holds degrees in Bachelor of Science, Bachelor of Agricultural Science and Bachelor of Economics and is a Fellow of the Society of CPAs.

Shareholding – 8,192 ordinary shares through Balmoral Capital Pty Ltd.

Mr. Richard Watson

Mr. Watson (66) is the Chairman of Tassal Limited, Tassal Japan Limited and the Resident Chairman of the Haas Group of Companies (USA). He is a director of Saltas Pty Ltd, Seafish Tasmania, Ringwood Pty Ltd, and the Tasmanian Chamber of Commerce and Industry Inc. He was previously a director of the Australian Institute of Company Directors and President of the Australian Institute of Company Directors Tasmania 1995-8.

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.

He holds a Bachelor of Science from the University of Melbourne, is a fellow in Business Management (RMIT) and is a qualified Pharmaceutical Chemist. He has had extensive experience as a director of public and private companies and as a member of industry and Government committees, Task Forces and Boards.

Shareholding - 2,700 ordinary shares in the name of R J & S F Watson.

GREAT SOUTH LAND MINERALS LIMITED

MEETINGS OF DIRECTORS.

During the financial year, a total of 3 meetings of directors were held.
Attendances were as follows:

	Number of Meetings Eligible to Attend	Meetings Attended
H J Askin	3	3
I S A Reid	3	1
D A Tanner	3	3
C F Burrett	3	3
A Humphris	3	2
R Watson	3	3
S Powell	3	3

AUDIT COMMITTEE.

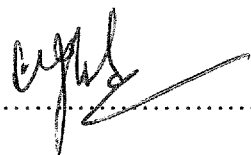

The company is not of a size nor are its financial affairs of such complexity to justify a separate Audit Committee of the Board of Directors. All matters that might properly be dealt with by such a committee are the subject of scrutiny at full board meetings.

DIRECTORS' BENEFITS.

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the parent entity, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than the benefits as disclosed in the notes to and forming part of the accounts.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity or related body corporate.

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

H J Askin  Chairman	D A Tanner  Managing Director
Dated this <u>12th</u> day of <u>OCTOBER</u> , 2000	

GREAT SOUTH LAND MINERALS LIMITED

PROFIT & LOSS ACCOUNT
FOR YEAR ENDED 30TH JUNE 2000.

	<u>NOTE</u>	2000 \$	1999 \$
Revenue	2	<u>19,718</u>	<u>26</u>
Operating Profit (Loss) before income tax	3	(296,757)	(422,044)
Income Tax attributable to Operating Profit (loss)		<u>0</u>	<u>0</u>
Operating Profit (loss) after income tax		(296,757)	(422,044)
Accumulated losses at beginning of the year		<u>(821,286)</u>	<u>(399,242)</u>
Accumulated losses at the end of the year		<u>(1,118,043)</u>	<u>(821,286)</u>

GREAT SOUTH LAND MINERALS LIMITED

BALANCE SHEET AS AT 30TH JUNE 2000

<u>NOTE</u>	2000 \$	1999 \$
<u>CURRENT ASSETS</u>		
Cash at Bank	704	132
Pre-paid Exploration Licence	11,611	28,592
Sundry Debtors	<u>19,718</u>	<u>0</u>
	<u>32,033</u>	<u>28,724</u>
<u>NON CURRENT ASSETS</u>		
Property, Plant and Equipment - at Cost 1(c)	14,750	14,220
Less Prov'n for Depreciation	<u>(8,332)</u>	<u>(5,351)</u>
	<u>6,418</u>	<u>8,869</u>
<u>INTANGIBLE ASSETS.</u>		
Exploration Expenditure 1(a)	<u>2,043,318</u>	<u>2,043,318</u>
	<u>2,043,318</u>	<u>2,043,318</u>
<u>TOTAL NON CURRENT ASSETS</u>	<u>2,049,736</u>	<u>2,052,187</u>
<u>TOTAL ASSETS</u>	<u>2,081,769</u>	<u>2,080,911</u>
<u>CURRENT LIABILITIES</u>		
<u>Creditors & Borrowings</u>		
Bank Overdraft	0	1,299
Trade Creditors	70,869	115,400
Other Creditors	16,044	103,552
Loans from Directors 5(c)	<u>24,850</u>	<u>72,295</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>111,763</u>	<u>292,546</u>
<u>TOTAL LIABILITIES</u>	<u>111,763</u>	<u>292,546</u>
<u>NET ASSETS</u>	<u>1,970,006</u>	<u>1,788,365</u>

GREAT SOUTH LAND MINERALS LIMITED

BALANCE SHEET AS AT 30TH JUNE 2000.

	<u>NOTE</u>	2000 \$	1999 \$
<u>SHAREHOLDERS' EQUITY</u>			
<u>Issued Capital</u>			
327,454 Shares (1999: 268,003)	7	3,088,049	571,763
Balance of Share Premium Reserve Transferred to Issued Capital		0	2,037,888
		<u>3,088,049</u>	<u>2,609,651</u>
Accumulated Profit (Losses)		<u>(1,118,043)</u>	<u>(821,286)</u>
<u>TOTAL SHAREHOLDERS' EQUITY</u>		<u>1,970,006</u>	<u>1,788,365</u>

GREAT SOUTH LAND MINERALS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30th JUNE 2000

		2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest Received		0	26
Payment to suppliers and employees		(216,025)	(116,005)
Net Cash used in Operating Activities	11(b)	(216,025)	(115,979)
CASH FLOW FROM INVESTING ACTIVITIES			
Exploration & Evaluation Expenditure		0	(1,764)
Purchase of Plant & Equipment		(530)	0
Net Cash used in Investing Activities		(530)	(1764)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Issue of Shares		218,426	82,800
Proceeds from Borrowings		0	36,939
Net Cash provided by Financing Activities		218,426	119,739
Net Increase (Decrease) in Cash held		1,871	1,996
Cash at Beginning of Year		(1,167)	(3,163)
Cash at End of Year	11(a)	704	(1,167)

GREAT SOUTH LAND MINERALS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2000**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES****a) Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The financial report is prepared on a going concern basis. However material uncertainties exist in relation to conditions which cast doubt upon the company's ability to continue as a going concern. These are:

- Substantial losses incurred during the period and since the inception of the company;
- Uncertainties in terms of the ability to generate cash flows in the future considering that operations have not commenced;
- Extensive commitments for expenditure under the company's key mineral exploration lease;
- Current liabilities in excess of \$100,000 and cash less than \$1,000.

The company has planned the following activities and the following activities exist to address the above going concern issues.

On 1 August 2000 the company signed a Heads of Agreement with Cyber Finance of Hong Kong for funding of approximately \$2,000,000 for exploration;

The company intends to carry out a public issue of its shares in order to generate sufficient cash to meet its current and ongoing obligations for exploration and overhead expenditure.

The accounting policies have been consistently applied across the period and are consistent with those of the prior year.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

GREAT SOUTH LAND MINERALS LIMITED

b) Exploration Costs

Exploration costs incurred in the search for oil or natural gas fields are carried forward, as activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Exploration operations in the area of interest are continuing.

The area of interest is known as the Tasmanian Basin and the company holds current rights to tenure over any discovered reserves pursuant to Special Exploration Licence, 13/98.

Significant amounts have been expended to complete this work. Drilling to date has shown traces of natural gas and oil but not in commercial quantities.

This information shows promise and accordingly continued exploration by the company is considered essential.

c) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d) Property Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortization. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The depreciable amounts of all fixed assets including buildings and capitalized leased assets, but excluding freehold land, are depreciated over their useful lives to the company commencing from the time the asset is held ready for use.

GREAT SOUTH LAND MINERALS LIMITED

NOTE 2 - OPERATING REVENUE

	2000	1999
	\$	\$
Revenue from outside operating activities	19,718	
Interest received from other parties	0	26

NOTE 3 - OPERATING LOSS

Operating Loss before income tax has been determined after charging the following items:

Depreciation - Plant & Equipment	2,614	2,884
Interest paid to other parties	45	0
Rental expense relating to operating leases	24,000	42,000

NOTE 4 - AUDITORS REMUNERATION

Auditing the financial report	4,000	8,200
Other services	0	2,660

NOTE 5 - RELATED PARTIES**(a) Directors**

The following persons were Directors of the Company during the financial year.

Dr HJ Askin
 Dr CF Burrett
 Mr ISA Reid
 Mr DA Tanner
 Mr AJ Humphris
 Mr SM Powell
 Mr RJ Watson

Unless otherwise stated, the directors held office for the whole of the financial year.

(b) Directors' Holdings of Shares

The aggregate number of shares held directly, indirectly or beneficially in the Company by directors or their director related entities at year end was:-

GREAT SOUTH LAND MINERALS LIMITED

Ordinary Shares	2000	1999
Dr Henry J. Askin	500	0
Askin Nominees Pty Ltd – Dr H.J Askin	24,000	24,000
Balmoral Capital Pty Ltd – Mr A.J Humphris	8,192	3,600
Dr Clive F Burrett	5,238	5,238
RR & SM Powell (Holdings) Pty Ltd - Mr SM Powell	1,000	0
Mr David A Tanner	17,353	10,460
Terra Firma Technology Pty Ltd – Mr I.S.A Reid	12,149	12,149
Mr Richard J Watson	2,700	0

(c) Directors and Director Related Transaction

(a) David A Tanner provided consultancy services to the company during the year under normal commercial terms and conditions.

(b) Loans from Directors	2000	1999
	\$	\$
Directors unsecured interest free loans at call to the company	24,850	72,295

(d) From 1st July 1999 to 31st August 2000 the following share issues were made to Directors or Director Related Entities

David A Tanner	6,893
Dr Henry J. Askin	500
Stephen M. Powell - RR & SM Powell (Holdings) Pty Ltd	1,000
Alan J. Humphris - Balmoral Capital Pty Ltd	4,592
Richard J Watson	2,700

GREAT SOUTH LAND MINERALS LIMITED

NOTE 6 DIRECTORS' REMUNERATION

Directors Income	2000	1999
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The number of directors of the Company whose income from the Company or any related party falls within the following bands:

\$50,000 - \$59,999	2	
\$90,000 - \$100,000		1
	2000	1999
	\$	\$

Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.

109,430	99,621
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Retirement Benefits

Retirement benefits paid to directors of the Company and controlled entities, being amounts that have been previously approved by the members of the company in a general meeting.

0	0
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The amounts disclosed in aggregate as the directors believe that the provision of full particulars would be unreasonable.

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

NOTE 7 SHARE CAPITAL

- (a) On 31st August 1999, the company issued 21,315 shares at \$11.20. Consideration for these shares was cancellation of debt arising from exploration and other expenditure and as scheduled at Note 7 (f).
- (b) On 24th November 1999 the company issued 4,057 ordinary shares at \$5.60 each.
- (c) On 31st January 2000 the company issued 1,125 ordinary shares at \$5.60 each to shareholders on the basis of 1 share for every 10 shares held.
- (d) On 30th September 1999, the company issued 1,899 shares at \$11.20. Consideration for these shares was cancellation of debt arising from exploration and other expenditure and as scheduled at Note 7 (f).

GREAT SOUTH LAND MINERALS LIMITED

(e) Other Issues

Issue of shares at \$11.20

27 th July 1999	1,000 shares
4 th August 1999	1,500 shares
7 th October 1999	179 shares

Issue of shares at \$5.60

3 rd November 1999	2,700 shares
8 th November 1999	536 shares
30 th December 1999	1,786 shares
25 th February 2000	23,088 shares

(f) Issue of shares for other than cash

Shares issued where consideration is exploration and other expenditure incurred on behalf of the Company or other services.

	Shares	2000 \$	Shares	1999 \$
Condor Investments Unit Trust	6,306	70,626	4,317	48,350
David James Bendall Family Trust	1,899	21,255	5,255	58,510
Maiden Meadows Pastoral Pty Ltd			990	11,082
Tanner David A	6,893	77,200	6,679	74,800
Wise Gordon M	756	8,461	3,392	37,981
Askin Nominees Pty Ltd			24,000	1
Terra Firma Technology Pty Ltd			12,000	1
Balmoral Capital Pty Ltd	4,592	51,430	3,600	40,320
Gregory Kunda	1,071	12,000		
Logok Pty Ltd	1,607	18,000		
Gordon Campbell & Associates Pty Ltd	90	1,000		

NOTE 8 – COMMITMENTS

Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	2000	1999
No later than one year	2,000,000	-
Later than one year by not later than two years	2,000,000	2,000,000
Later than two years but not later than five years	4,000,000	6,000,000
Later than five years	-	-
	<u>8,000,000</u>	<u>8,000,000</u>

GREAT SOUTH LAND MINERALS LIMITED

Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	4,468	
Later than one year but not later than five years	14,894	14,28
Later than five years	-	1,785
	19,362	6,213
	2000	1999
	\$	\$

NOTE 9 – CONTINGENT LIABILITIES.

Fees payable and dependent on a public float of shares of Great South Land Minerals Limited.

- Secretarial Services	39,395	31,315
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Estimates of material amounts not provided for in the accounts arising from a claim for provision of legal advisory services that has been brought against the company.	29,750	20,776
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NOTE 10 – POST BALANCE DATE EVENTS

A Heads of Agreement with Cyber Finance of Hong Kong for provision of funding for a 600km seismic program during the coming summer was signed on 1st August 2000. This funding will enable completion of the main commitment under SEL 13/98 for 600km of seismic acquisition and minimum expenditure of \$2,000,000 by the second anniversary of the Licence.

<u>NOTE 11</u>	2000 \$	1999 \$
(a) Reconciliation of Cash		
Cash at the End of the Financial Year as shown in the statement of cash flows is reconciled to Items in the Balance sheet as follows:		
Cash		
Cash Trust Account	132	132
Cash at Bank (overdraft)	572	(1,299)
	704	(1,167)

GREAT SOUTH LAND MINERALS LIMITED

(b) Reconciliation of cash flow from Operations with
Operating Profit after Income Tax

Operating (Profit) Loss after Income Tax	296,757	422,044
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NON - CASH FLOWS IN OPERATING PROFIT

Depreciation	2,614	2,884
Share Issues	51,430	0

CHANGES IN ASSETS AND LIABILITIES

Decrease in Prepayments	16,981	4,776
Increase (Decrease) in Trade and Other creditors	(132,039)	283,085
Increase in Sundry Debtors	<u>(19,718)</u>	<u>0</u>
Net Cash used in Operating Activities	<u>216,025</u>	<u>115,979</u>

GREAT SOUTH LAND MINERALS LIMITED

DIRECTORS' DECLARATION


The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 7 - 17
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 30 June 2000 and performance for the year ended on that date of the company.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated this 12th day of OCTOBER 2000


.....
Henry J Askin
Chairman


.....
David A Tanner
Director



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Independent audit report to the members of Great South Land Minerals Limited

Scope

We have audited the financial report of Great South Land Minerals Limited for the financial year ended 30 June 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes 1 to 12, and the directors' declaration set out on pages 6 to 17. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

- a) the Corporations Law, including:
 - i. giving a true and fair view of the Company's position as at 30 June 2000 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.



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Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG
KPMG

M Wallace

Matthew Wallace
Partner

Place: *Hobart*

Date: *6 October, 2000*