

Annual Report for EL14/2009

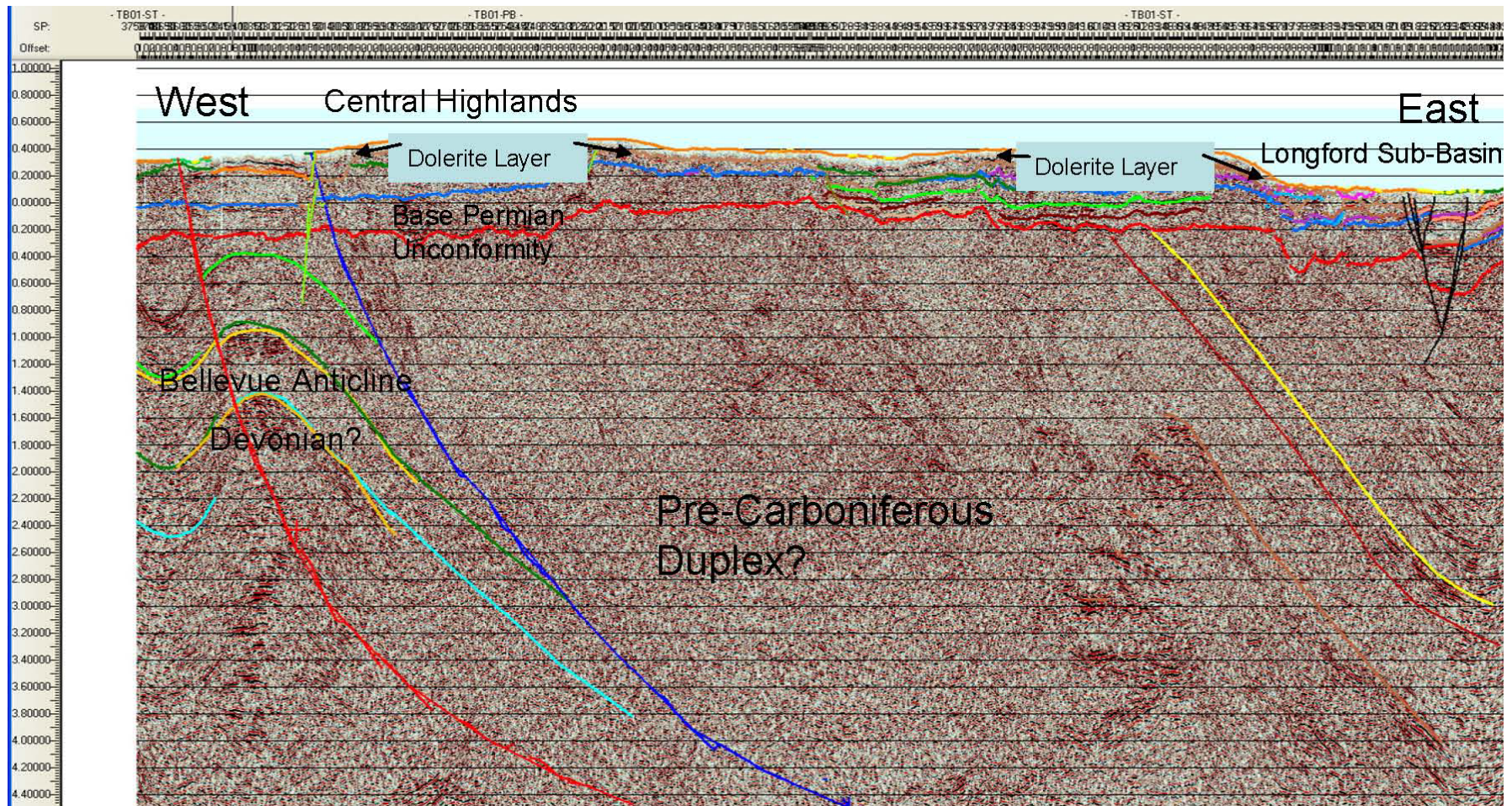
**Exploration Activity of
Great South Land Minerals Limited**

2011

**Submitted in fulfilment of the requirements under the Mineral
Resources Development Act 1995**



**Hobart, Australia
May 2011**



Seismic Cross Section - Central Highlands and Longford Sub-Basin

PREFACE

This Report has been prepared in accordance with the conditions outlined in Exploration Licence (EL) 14/2009. To the best of Great South Land Limited's (GSLM) knowledge, the report presented herein represents the intentions at the time of printing of the report. However, the passage of time, manifestation of latent conditions or impacts of future events may result in the actual contents differing from that described in this report. In preparing this report GSLM has relied upon data, surveys, analysis, designs, plans and other information provided by past reports, third parties, and other individuals and organisations referenced herein. Except as otherwise stated in this report, GSLM has not verified the accuracy or completeness of such data, surveys, analysis, designs, plans and other information.

No responsibility is accepted for use of any part of this report in any other context or for any other purpose by third parties.

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EXECUTIVE SUMMARY

Empire Energy Corporation International (Empire), through its wholly owned subsidiary Great South Land Minerals Limited (GSLM), has completed significant exploration work including the discovery of at least fifteen previously unknown, very significant, potential petroleum structures within former Special Exploration Licence (SEL) 13/98 over the past 10 years proving the existence of three petroleum systems within the Tasmania Basin.

Empire and GSLM have expended in excess of AU\$50 million of capital investment in Tasmania, meeting all the licence conditions set by Mineral Resources Tasmania (MRT) for SEL13/98. GSLM has obtained a valuation of the resource identified by the exploration and evaluation work performed over the past ten years.

RPS Energy Ltd (RPS), one of the world's leading independent experts on oil and gas resource/reserve evaluations, prepared a Competent Persons Report indicating that the undiscovered prospective oil and gas resource contained within the structures identified by our geophysical and seismic work was 668 million barrels. After extensive due diligence WHK Denison (WHK), a major Australian accounting firm, gave Empire an undiscovered prospective resources valuation of US\$3.3 billion based on US\$5 per barrel. This confirms GSLM's findings and belief developed over these past ten years through our diligent work and significant AU\$50 million investment meeting licence conditions. This represents an asset backing per share today of US\$10.

GSLM and Empire intend to prove the validity of the RPS report and WHK valuations regarding the existence of commercial quantities of onshore oil and gas Tasmania. RPS's undiscovered prospective resource of 668 million barrels, calculated by using "probabilistic" methods, which if verified and produced at today's price of US\$109 per barrel, could represent potential revenue of US\$72 billion contained within the structures discovered by GSLM's 1,149km of seismic work based on gravity, magnetic and stratigraphic wells.

GSLM and its predecessor companies were established as a result of a vision that founder and current CEO, Malcolm Bendall, received from God in 1977. In this vision, Mr Bendall saw large structures on onshore Tasmania. It has now been 34 years since this vision and this report details the exploration and expenditure carried out by GSLM and its predecessor companies for onshore oil and gas in Tasmania. Over 34 years of exploration research and an investment of over AU\$57 million has found that oil and gas does exist in the Tasmania Basin.

On 30 September 2009, GSLM submitted an Exploration Licence (EL) application for a 5 year term over all (12) independently prospective structures which included over a 50% reduction over its previous SEL13/98 area from 15,035 km² to 7,513 km². However, on the 17 May 2010, The Minister for Energy and Resources granted Exploration (EL) 14/2009 over only 3,108 km² for an initial two-year term. This area covered only two of GSLM's twelve prospective structures. On the 30 July 2010, an application for 'Variation of Area' application was submitted to the Minister for Energy and Resources. On 24 December 2010, GSLM received a decision by the Minister not to vary EL14/2009 to cover the remaining 10 prospective structures worth approximately US\$1 billion. GSLM have appealed the Ministers decision which is before the Mining Tribunal of Tasmania.

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1 INTRODUCTION

1.1 A BRIEF HISTORY OF EXPLORATION IN THE TASMANIA (1915 TO 1988)

1.1.1 Early Work

The story of oil and gas exploration in Tasmania has been a patchy one, dating from 1915 to the present time (Figure 1). From 1915 to 1939, and again in the 1960's, several holes were drilled in Tasmania in the search for oil and gas (Figure 2 and Figure 3). However, most of the holes were drilled in the north of the State, and not in what is now currently referred to prospectivity as the Tasmania Basin. Most of the holes were shallow, due to the limitation in drilling techniques and equipment and the site and location of the exploration was often based on inadequate geological data (GSLM Annual Report, 1997).

1.1.2 Bruny Island

One of the most encouraging prospects occurred in 1929 when a report from the State Government's Director of Mines, Macintosh Reid, stated what appeared to be reliable occurrences of oil being present at a place called Johnson's Well on Bruny Island. In that year the Tasmanian Oil Company drilled a hole at Johnson's Well and it is reported that amounts of oil were discovered at 30 metres depth. However, the company collapsed with the stock market crash later that year and no further drilling work was done on that site until 1995 (Figure 4). (GSLM Annual Report, 1997)

1.1.3 Recent Exploration Activity

Prior to 1984 very little research on the oil and gas potential of Tasmania was carried out. From 1984 onwards Conga Oil Pty Ltd, from 1988 Condor Oil Pty Ltd and subsequently from 1995 Great South Land Minerals Pty Ltd continued oil and gas exploration onshore in Tasmania, initiated a program of geological research, and have now proven that the State is a prospective oil and gas province (GSLM Annual Report, 1997).

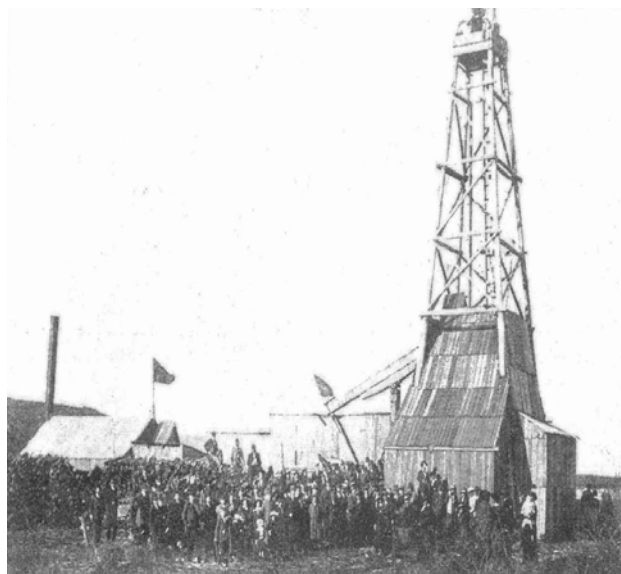


Figure 1: Drilling at Andrews Bore, Bruny Island, 1915 (Tasmanian Mail, 29 June 1916 in Bacon *et al.*, 2000).

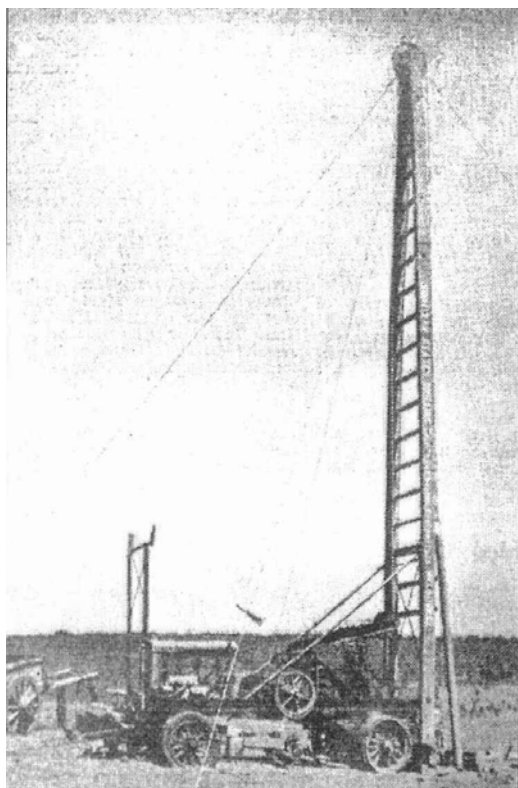


Figure 2: Tasmanian Oil Bore No.1, drilled at Dambury Park near Launceston in 1939 by Producers Oilwell Supplies Ltd (in Bacon *et al.*, 2000) (above left).

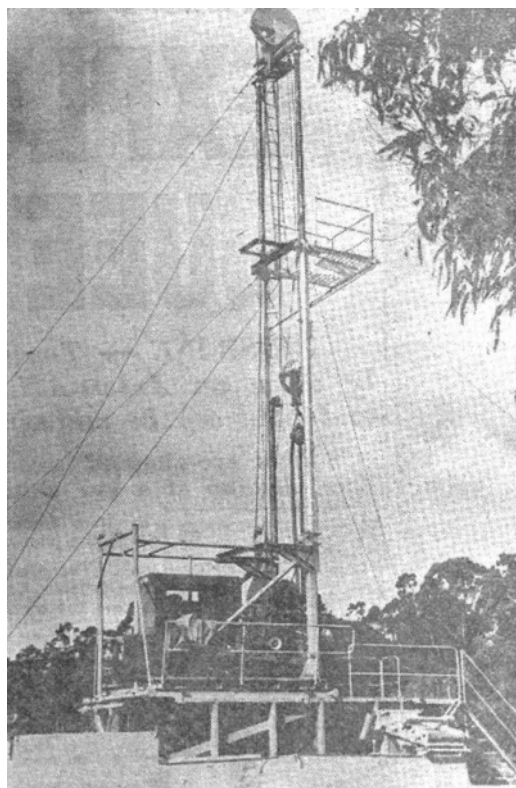


Figure 3: The drilling rig, imported by C.G.Sulzberger in 1963, on location at Parkers Ford, near Port Sorell (in Bacon *et al.*, 2000) (above right).



Figure 4: Drill Rig used to deepen Shittim#1 on Bruny Island in 1996 (in Bacon *et al.*, 2000).



Figure 5: Aerial view of Hunt Rig #3 at the Bellevue#1 well site, northwest Lake Echo, 2009.

1.1.4 Historical Oil Companies Involved in Oil Exploration in the Tasmania Basin

Many companies have been involved or floated on the basis of recorded sightings. Several instigative drilling programs at seepage sights – a high risk and blind wildcat procedure were completed. The companies were:-

- Port Davey Mineral and Oil Prospecting Syndicate 1915
- The Asphaltum Glance and Oil Syndicate 1915
- The Bruny Island Oil Company 1916
- The Tasman Oil Company 1921
- The Mersey Valley Oil Company 1922
- The Adelaide Oil Exploration Company 1922
- The Tasmanian Oil Company 1929
- The Austral Oil Drilling Syndicate 1936
- Producers Oilwell Supplies 1939
- Nudec Pty. Ltd. 1965
- E.Z. Company Pty. Ltd. 1965
- B.H.P. Ltd. 1980
- Conga Oil Pty. Ltd. 1984
- Condor Oil Investments Pty. Ltd. 1988

1.2 RECENT EXPLORATION FOR ONSHORE OIL AND GAS IN TASMANIA (1981 TO 2009)

Modern exploration in the Tasmania Basin commenced when the Broken Hill Proprietary Company was awarded an exploration licence on 15 April 1981, to explore for coal, oil and gas based on the discovery at the Styx River of the *tasmanites* oil shale seeping oil in outcrop. Mobil Energy Australia subsequently farmed in and worked the licence until 15 April 1984 at which time the licence was relinquished.

In June 1984, the recent phase of oil and gas exploration commenced when Conga Oil Pty Ltd (Conga Oil), the earliest predecessor of Great South Land Minerals Limited, acquired part of the D'Entrecasteaux Region of Southern Tasmania in order to verify old hydrocarbon seeps and drilling reports (Figure 6).

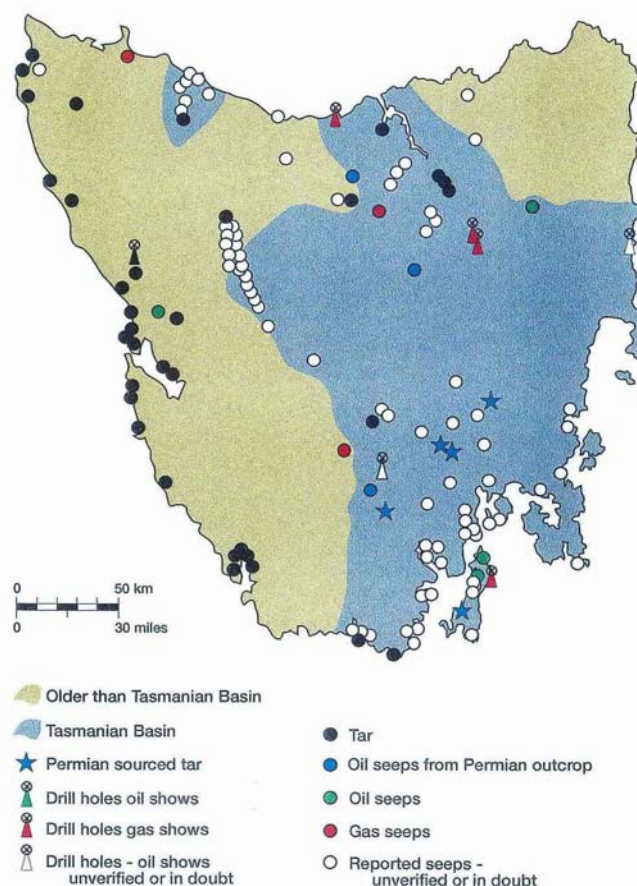


Figure 6: Seep distribution in Tasmania adapted from Bendall *et al* (1991), Annual Report, 1997.

Conga Oil continued to acquire exploration rights over a large part of Southern Tasmania. In 1988, Conga Oil's initial licence area covering 49 square kilometres was incorporated into a new permit that covered an area of 3,500 square kilometres. Condor Oil Investments Pty Ltd (Condor) (another predecessor of GSLM) and Conga Oil continued to explore this area until 1995 when it formed Great South Land Minerals Pty Ltd and assigned the permit to Great South Land Minerals Pty Ltd. After receiving two other licences, Great South Land Minerals

Pty Ltd held a total area of 12,000 square kilometres. In March 1998, Great South Land Minerals Pty Ltd changed from a private company to a public company, Great South Land Minerals Limited (GSLM), by way of a special resolution approved by shareholders. A new, enlarged Special Exploration Licence (SEL) 13/98 was formed from the three prior exploration licences and GSLM continued to explore these areas for an initial 5 year period until SEL13/98 officially expired on 18 May 2004 (1999 to 2004 Figure 7). SEL13/98 was further extended by the Minister for Mines for a second 5-year term which was to expire on 30 September 2009 (2004 to 2009 Figure 8).

SEL13/98 initially comprised 30,356 square kilometres and covered the whole Tasmania Basin or about half the State. On the 28 October 2004 (Figure 7), SEL13/98 was reduced in size to cover an area of 15,035 square kilometres (Figure 8). The terms of the SEL13/98 renewal required an exploration expenditure of AU \$21.5 million over five years.

Figure 8 is a map of Tasmania illustrating the area covered by SEL13/98 second 5-year tenure (2004-2009). The cross-hatched area highlighted in the centre of the map is the area within Tasmania in which SEL13/98 permits GSLM to conduct exploratory work to uncover potential petroleum reservoirs suitable for developing in the future.

As a condition to the granting of the SEL13/98, the Department of Infrastructure, Energy and Resources Tasmania required that GSLM satisfy a specific schedule of expenditures, and indicated that failure in any given year, as at 1 October, to perform at least 80% of the required expenditures for that year, would be grounds for terminating the leasehold. The schedule is set out below in Table 1.

GSLM and its predecessor companies have spent over AU\$50 million dollars on exploration activities and meeting licence conditions (Table 1). These activities have so far established the presence of three significant petroleum systems, including the Larapintine Petroleum System, the Gondwanan Petroleum System and the existence of a third system through the discovery of dry gas and Helium in the Pre-Cambrian rocks in the Hunterston drill hole. In identifying these petroleum systems, GSLM has proved the presence of quality source rocks, including the Tasmanite oil shale which is an oil and gas source rock and is used as the world standard for Type 1 kerogen, that are thermally mature for the generation of gaseous and liquid hydrocarbons. This determination shows that hydrocarbons have been generated, expelled and migrated into potential reservoir units (It has been calculated that 150 billion barrels of oil have been generated based on direct geochemical analysis). Although recent seismic data has shown the potential for trapping mechanisms, the company undertook additional gravity and seismic work to identify potential drill targets. GSLM continues its exploration activities with exploration drilling & stratigraphic coring activities being planned in strategic locations.

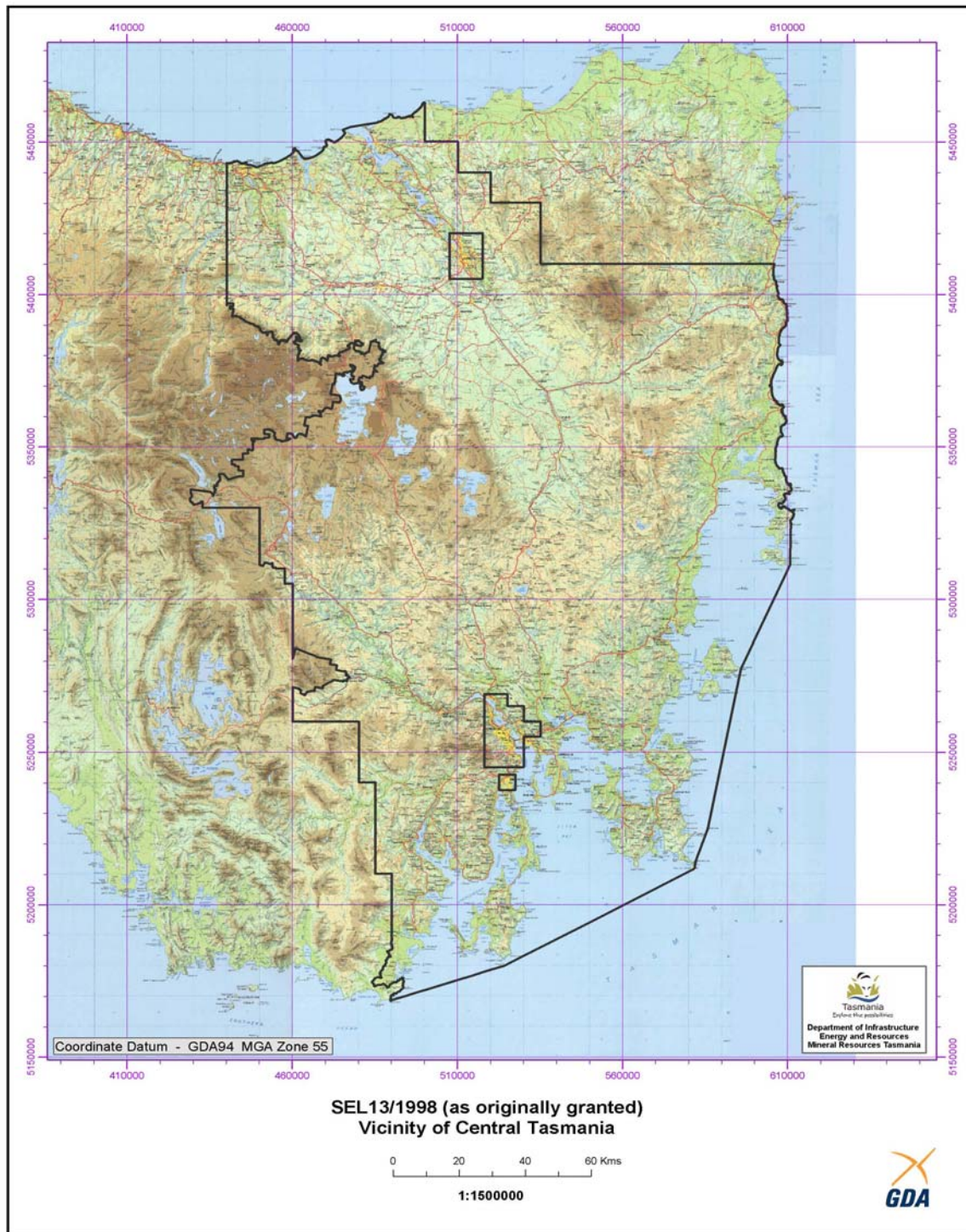


Figure 7: Original SEL13/98 (black outline) covering 30,356 square kilometres during 1999 to 2004 (first 5-year term). Source: MRT.

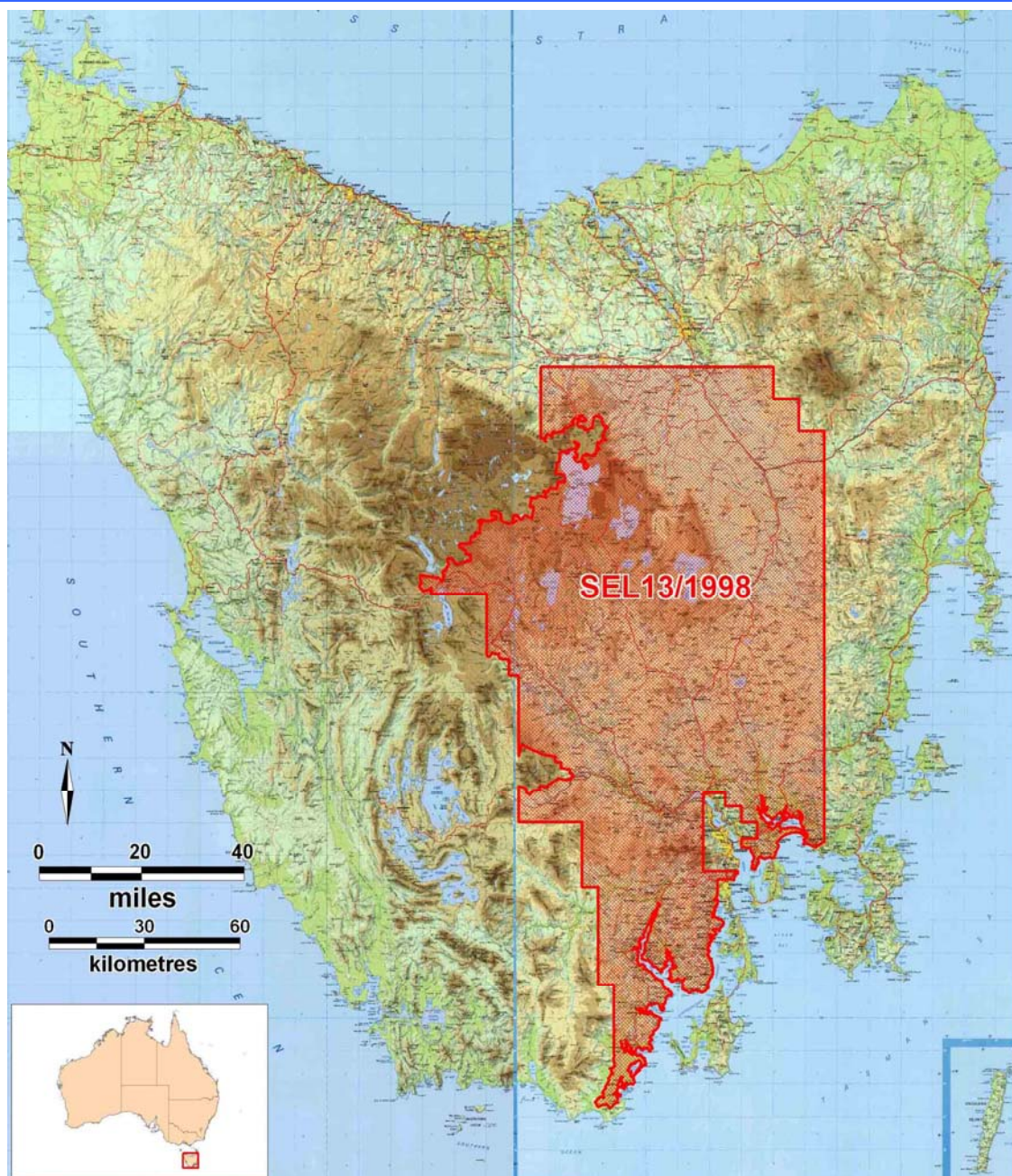


Figure 8: Special Exploration Licence (SEL) 13/98 (indicated in red cross hatching) covering an area over 15,035km². This SEL13/98 area was issued during 2004 – 2009 (second 5-year term). Source: GSLM

Annual Report of Exploration Licence (EL) 14/2009

Table 1: Claimed Special Exploration Licence (SEL) 13/98 Expenditure to meet the Licence conditions for the period during 1999-2000 (Year 1) to 2009 (Year 10).

Year	Company	GSLM Expenditure	Licence Requirement
2000	Great South Land Minerals Ltd	\$ 122,157.98	*\$ 8,000,000
2001	Great South Land Minerals Ltd	\$ 2,967,850.85	
2002	Great South Land Minerals Ltd	\$ 1,965,128.46	
2003	Great South Land Minerals Ltd	\$ 1,356,343.36	
2004	Great South Land Minerals Ltd	\$ 260,874.11	
2005	Great South Land Minerals Ltd	\$ 18,154,157.08	**17,200,000
2006	Great South Land Minerals Ltd	\$ 8,803,197.07	
2007	Great South Land Minerals Ltd	\$ 3,205,507.81	
2008	Great South Land Minerals Ltd	\$ 9,074,898.00	
2009	Great South Land Minerals Ltd	\$ 4,941,541.80	
Total		\$ 50,851,656	\$ 25,200,000

*AU \$8 million Licence expenditure requirement over the first 5-year term over SEL13/98, which includes the costs associated with the public float of GSLM (refer to condition 6 in SEL13/98; *The licensee must proceed with the public float of GSLM...*). Part of these public float costs are included during 2005 expenditure.

**Mandatory Licence expenditure requirement over the second 5-year term over SEL13/98.

In its exploration for coal under the coal exploration lease, Mobil Energy Australia commenced drilling operations, preceded by a ground based magnetic survey, on 2 October 1983 resulting in five holes totalling 987.75 metres, 814.19 metres of which was cored.

The drilling targeted two horizons in the Permian sequence:

- Cygnet Coal Measures equivalents; and
- Faulkner Group containing the Mersey Coal Measures equivalents.

Sedimentological studies were also undertaken to enable, in conjunction with the additional stratigraphic information, an environmental map of the Permian geology to be drawn, and to make recommendations on future drilling.

Conga Oil began work in 1984 and during the period to 1987 focused most of its work on undertaking reviews of the basin. During 1987, after a reported seepage was relocated and analysed, the company began a systematic exploration program in the region. Recognising the need to map sub-dolerite structures, Conga Oil first attempted to extend the gravity and

magnetic databases in the Tasmania Basin. Although this helped in defining regional trends and lineations, the lack of subsurface control and the limitations of the methods themselves restricted the usefulness of these techniques for identifying potential hydrocarbon traps.

The work completed by Conga Oil established that:

Oil had definitely been generated and that active seeps were observed in certain areas;

- Source rock studies of vitrinite reflectance, direct geochemical analysis and conodont Colour Alteration indices confirmed that Ordovician carbonates exposed around the region were within the oil window;
- Permian and younger rocks blanket most of the region and obscure distribution; and
- Basin development began in the late Pre-cambrian and was most active in the Cambrian, but continued up to Middle Devonian times.

After 1988, exploration continued in the newly incorporated and expanded area of Conga Oil's licence. Despite earlier discouraging seismic acquisition data results, due predominantly to the widespread coverage of dolerites onshore Tasmania, Conga Oil attempted to acquire three kilometres of seismic data at South Arm (Hobart, Tasmania) and seven kilometres on North Bruny Island in the vicinity of Johnson's seep. Additionally, 256 kilometres of seismic data was acquired offshore in Storm Bay utilising the Australian Geological Survey Organisation (AGSO's) rig seismic vessel.

In 1991, Malcolm Bendall prepared the '*Recent developments in exploration for oil in Tasmania*' (Bendall *et al*, 1991) and presented this paper to three International Journals (Australian Petro Exploration Association (APEA), Geochimica and Gondwanan symposium). Additionally, another paper (Bendall *et al*, 2000) was presented at the APEA conference in 2000.

In 1992, Condor took over responsibility for exploration and during this period up to and including 1994, produced several consultants' reports (refer to Appendices within the 1994 Annual Report). During 1994, the stratigraphic wells, Shittim#1 (1,751m) and Gilgal#1 (50m), were drilled on Bruny Island.

During 1995, when Condor incorporated Great South Land Minerals Pty Ltd, Condor gave Great South Land Minerals Pty Ltd the role of exploration project manager and Condor became an equity holder in Great South Land Minerals Pty Ltd. Great South Land Minerals Pty Ltd initiated collaborative studies with a number of individual consultants and agencies that added a considerable amount of data and improved the company's understanding of the basin. These entities included: The Department of Mineral Resources which undertook a regional gravity survey, rock evaluation studies, honours students at the University of Tasmania provided basin studies, Shell Development Australia reprocessed some earlier seismic data, BHP provided analyses in oil geochemistry, the state Mines Department acquired gravity and seismic data, CSIRO provided analyses of seep studies and geochemistry and completed studies on the maturation and depositional environment of the tasmanite oil shale (Revill *et al*.1994).

At the request of the Mineral Resources Tasmania (MRT), Great South Land Minerals Pty Ltd employed an independent consultant, Robert Young, (Former Chief Geologist of Getty Oil) to assess the significance of the gas encountered at Shittim#1. The consultant concluded

the hole had established that a seal, reservoir and gas were present, and that the results encouraged further investigation of the basin depocentre located in central Tasmania. On the basis of this report, Great South Land Minerals Pty Ltd then focused its exploration activities in this area of the basin. Concurrent with this work, Trent J. Woods, University of Tasmania, investigated the timing of potential hydrocarbon generation from Paleozoic sediments and the characterization of potential reservoirs of the Lower Parmeener Supergroup.

During late 1995, the Australian Geological Survey Organisation (AGSO) undertook a land-based seismic survey over parts of the basin. During 1995, a third stratigraphic well, Jericho#1 was pre-collared and drilled to a depth of 640m on Bruny Island (only 100m away from the 1929 oil seep and drill hole at the Johnsons site)(Annual Report,1995).

The stratigraphic holes were located for the following reasons:

- Onshore and offshore seismic existed in the area and needed velocity control, which was only obtainable by a down-hole shot so that previous processing could be repeated with actual real velocities;
- Historic records indicated that the area had numerous seeps of both oil and gas and that at least five shallow wildcat holes had been drilled but were depth limited because of previous technology;
- Results of gravity and magnetics surveys indicated that North Bruny Island is located on a basement high with a good potential regional trap for oil and gas;
- Modern geochemical oil exploration methods indicated that there were crude oil seeps in creeks and around old drill sites that warranted investigation; and
- A Mines Department hole on the neck of Bruny Island had discovered oil in loose sand at 30 metres depth.

All three holes recorded petroleum hydrocarbons in a gaseous state:

- Shittim#1 recorded Helium, tar with zeolites in the fractured dolerite and gas from 810 metres depth. The hole was drilled onto 1,751 metres, reaching the unconformity;
- Gilgal#1 recorded gas at its total depth of 51 metres; and
- Jericho#1 recorded gas from 15 metres to the bottom of the hole at 228 metres.

Between 1995 and 2002, GSLM drilled seven stratigraphic wells, all with hard rock diamond core rigs. The results of these wells are summarised in Table 2.

Figure 9 shows some of the historical stratigraphic boreholes drilled prior to 2000.

Table 2: Stratigraphic boreholes completed by GSLM.

Borehole	Type	Spud Year	Total Depth (mKB)	Purpose	Hydrocarbon Indications (gas% corrected for air, nitrogen and CO ₂ contamination)	Formation at Total Depth	Age
Gilgal-1	Diamond core	1995	51	Stratigraphic Test	Shallow gas	Abels Bay	Late Permian-
Shittim-1	Diamond core	1995	1,751	Stratigraphic Test	Methane max. 31%, Ethane max. 2.12% traces C3-C6. Helium up to 4.8%. Flowed, Flared and Sampled.	Phyllite and quartzite	Proterozoic
Jericho-1	Diamond core	1995	640	Stratigraphic Test	Methane max. 10%, Ethane max. 1.26% traces C3-C6. Helium detected.	Bundella Fm	Permian
Lonnavale-1	Diamond core	1997	557	Stratigraphic Test	Methane max. 1.8%, Ethane max. 0.35% traces C3-C6.	Ferntree Fm	Permian
Pelham-1	Diamond core	1997	503	Stratigraphic Test	Methane max. 1%,	Bundella Fm	Permian
Hunterston-1 ³	Diamond core	1997 2002	Precollar (336) 1,324	Stratigraphic Test	Methane and Ethane traces C3-C6 Helium >1%.	Dolomitic siltstone	Proterozoic
Bridgewater-1	Diamond core	1997	252	Stratigraphic Test	No sampling was completed	Ferntree Fm	Permian

Source: Adapted from RPS Energy (2008).

1 Isotopic analysis of the methane at Jericho-1 showed it to be thermogenic in origin.

2 All gas measurements are air, nitrogen and CO₂ corrected. The estimation of CO₂ content may result in error. Samples were collected in various ways and sent to a laboratory for gas chromatograph analysis. The amounts above are subject to error and should be treated as qualitative.

3 All the wells were drilled with a mineral rig with BOP attached, all were mud logged.

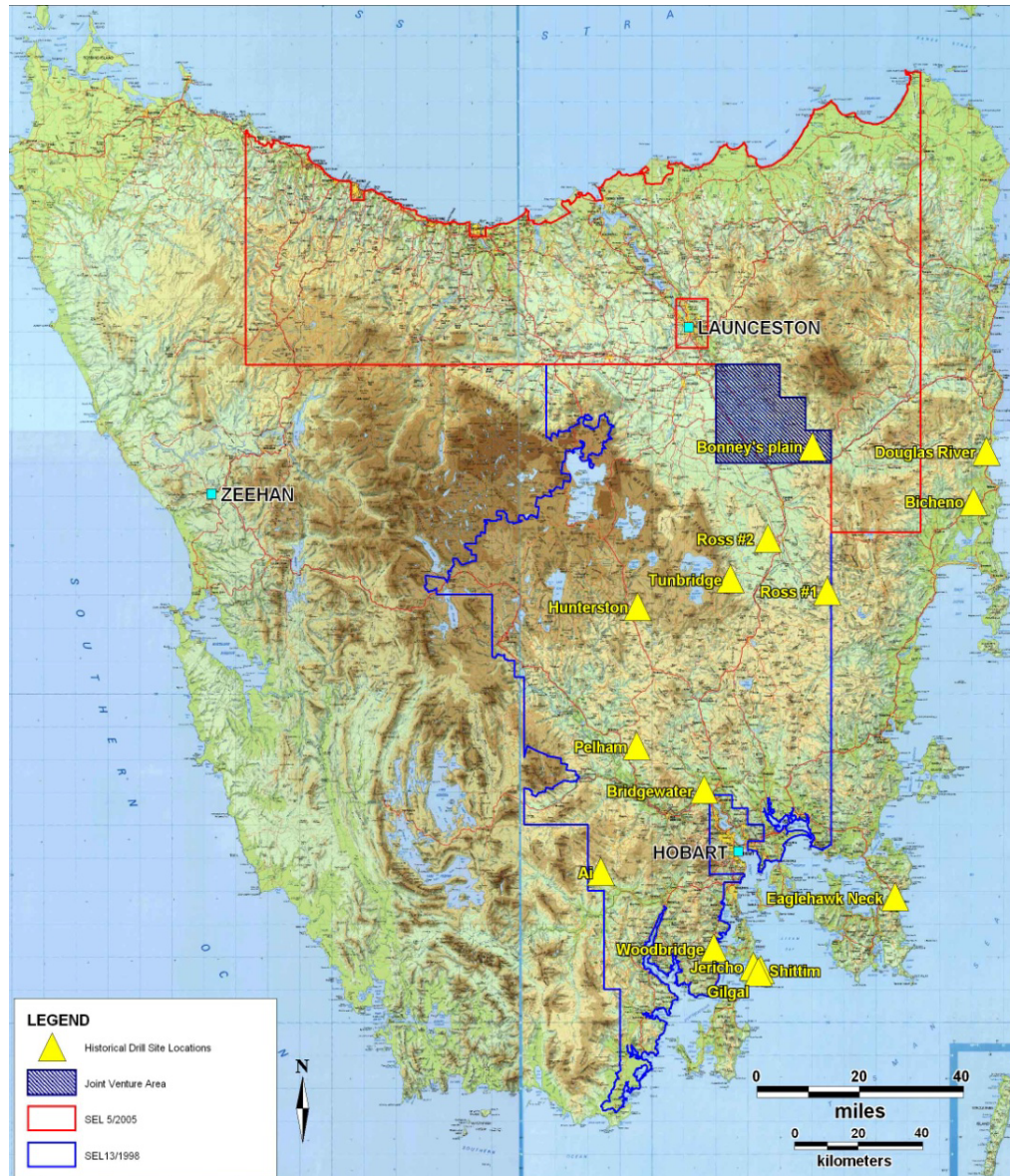


Figure 9: Historical drill sites, pre-2000 within the Tasmania Basin.

During 1996, Great South Land Minerals Pty Ltd contracted Robert S. Young, previously Chief Petroleum Exploration Geologist for Getty Oil, to review the potential of oil and gas in the Tasmania onshore Basin. The primary focus of Young's review involved analysing the work undertaken up to that date from a petroleum systems perspective. In this sense, he set about identifying whether the basic building blocks for the potential commercial production of hydrocarbons existed within the Tasmania Basin.

Young concluded that:

- With some 270 seeps and shows, which have been studied geochemically and have identified at least four mature oils, that it was very probable there are several possible hydrocarbon sources in the Tasmania Basin. Geochemical comparisons of seeps show that the most likely source would be the Ordovician of the Gordon Group Limestones.

Ratios of C27:C28:C29 Steranes are identical between seeps of the Bruny Island Johnson well (100m to the south west of Jericho#1) and the Ordovician Gordon Limestone and the predominance of C27 Steranes and the abundant diasteranes in Tasmanian bitumens suggest a widespread algae- and clay- rich source rock;

- Conodont's colour indicates that much of the Gordon Limestone, particularly in central and southern Tasmania, is in the oil and gas windows. This limestone is expected to underlay Permian and Triassic sediments in much of the Tasmania Basin. He also included the Permian Quamby Mudstone, "Freshwater Sequence" and Preolenna coal Measures as other potential source rocks. In all three rock units of which the total organic carbon may reach 25%, vitrinite reflectance data and fossil pollen colours show that these source rocks are within the oil window over large areas of the basin;
- Reservoirs are very easily envisioned in the shallow marine Ordovician Limestones as palaeokarsts, reefal or fractural. Since limestones are considered source material, migration would be minimal. Additional potential reservoirs are within the Siluro-Devonian sandstones of the Eldon and Tiger Range Groups and within sandstones of the Permian Bundella Formation, Faulkner Group and Liffey Sandstone of the Lower Parmeener Super Group. Measured porosities in the Faulkner and Liffey are 13% and 12% respectively, while other Permian sandstones in the northern area of the licence have porosities averaging 16% and horizontal permeabilities ranging up to 386 millidarcies;
- Evaporites are most efficient seals mainly because they offer very little or no pore space; however, the long-term sealing properties of very fine grained, water wet porous rocks such as shales are also remarkably efficient in the absence of open fractures. This is due to the displacement pressure- barrier effect created by capillary pressure between oil and water in rock pores. It is anticipated that the Ordovician Limestones reservoirs would be sealed by additional limestone within the Gordon Group or by the Turo Tillite above the unconformity. Good seals of shale and silts are found throughout the Permian-Triassic sedimentary sequence. The Jurassic dolerite sills also make excellent cap rock for the Permian-Triassic reservoirs;
- Defining traps and structural features within the basin is very difficult to impossible without good reflection seismic records. To date, there has been very little reflection seismic data and most of the data is poor quality due to the extensive dolerite cover over a large part of the basinal sediments. Relatively good quality seismic data has been obtained in areas where the dolerite cover is thin or absent. The results of the seismic work on the TASGO project show that an improvement in data quality and penetration of recordings through the dolerite can be achieved and this will aid in better defining structural traps. The present gravity and magnetics, which have been extensively used to date, have been able to define regional structural elements of mostly Paleozoic structures in the Permian, or younger, are probably going to be faulted, and of low relief; and
- Except in unusual circumstances, most un-trapped oil in sedimentary basins originates from synclinal drainage areas that surround the trap itself. Thus, migration

distances commonly range in tens rather than hundreds of miles, particularly on strongly structured or faulted basins.

During 1997, four stratigraphic wells were planned and drilled. Lonnavele#1 was pre-collared and drilled to 557m; Hunterston#1 was pre-collared and drilled to 336m (and subsequently drilled to 1,324m during 2002); Bridgewater#1 was pre-collared and drilled to 252m and Pelham was pre-collared and drilled to 503m.

During 2001, GSLM completed 660 line kilometres of regional seismic survey over part of the area of SEL13/98 (only 600 line kilometres was required under *condition 9* of SEL13/98). At the conclusion of the seismic program, GSLM submitted an environmental report to the Department of Primary Industry, Water and the Environment's Threatened Species Unit. The preliminary results of the interpretation identified several potential anticlinal/domal traps. Two small anticlinal structures were identified in the Parmeener Supergroup beneath the Longford basin and one in the Tertiary infill of the Longford Basin. Six potential traps were recognised in the Central Highlands area where gently dipping anticlines in the Parmeener almost directly overlie and reflect more steeply dipping anticlines beneath the Devonian unconformity. These Devonian structures are probably mainly within the Wurawina Supergroup and contained within the Devonian fold-thrust belt. Based on the seismic results, GSLM planned a 1,075 line kilometres program designed to acquire further regional data to define structures identified during the prior survey and to place lines close to wells that were drilled and pre-collared in 1997. This survey started in April 2006 and only 152 line kilometres were acquired within the Central Highlands of Tasmania due to:

- Bad weather conditions, additional traffic management requirements and light requirements (i.e. started one hour later and finished one hour earlier each day than the TB01 survey) disproportionately affected the amount of seismic line kilometres able to be acquired (only 50% of GSLM's previous survey);
- Changes of acquisition parameters to get an increased in frequency range and increase in fold (number of times acquisition was repeated) lead to a decrease in seismic line kilometres acquired to improve the quality of data so it could be interpreted to the bottom of the dolerite and reservoir sequences.

On 10 May 2002, GSLM entered into a joint venture agreement with OME Resources Australia Pty Ltd under which OME earned a joint venture interest in SEL13/98 by conducting drilling and related work. Stage 1 of the work related to the expenditure of AU\$1,000,000 to complete the deepening drilling/coring of Hunterston#1 well and other activities for a 5% interest in the licence. A dispute between GSLM and OME arose as to valuation of work done by 30 September 2002, the result of which was the assignment to OME of all coal bed methane rights in the SEL13/98 tenement in full satisfaction against any potential claims.

During July 2002, Empire entered into an agreement to acquire Great South Land Minerals, Limited. This fulfilled the requirement of condition 6 *The licensee must proceed with the public float of GSLM...* noted in SEL13/98. The merger was completed on 15 April 2005 by issuing 62,426,782 shares of Class A common stock, after which former shareholders of GSLM owned approximately 95% of the outstanding shares of Empire.

During 2002 and 2003, GSLM continued to work on the 2D seismic data acquired during 2001 and completed a report on an analysis of the Longford Sub-basin. GSLM also obtained approval to re-enter and deepen the Hunterston#1 stratigraphic well to 1,700m. The well was eventually terminated at a depth of 1,324m, which was carried out as part of the OME joint venture. Hydrocarbon gas was noted at various depths while coring and analyses of gas samples confirmed the presence of Helium gas (>1.0%) from the formations below the Tasmania Basin (Table 2). The Hunterston#1 cutting gas, trip gas and shows were similar to those encountered in Shitim#1 (which was flared). GSLM applied to MRT for permission to flare the gas in both Permian and Pre-cambrian section of the Hunterston#1 well. Permission to flare the gas was denied by MRT on the basis it was dangerous, but at the same time, MRT informed the Minister for Mines (Hon. Paul Lennon) that the results were insignificant.

During 2004, GSLM's principal asset of over 30,356km² (Figure 7) was reduced to 15,035 km² (approximately a 50% reduction in size - Figure 8). The second 5-year term of the SEL13/98 have been contractually agreed with MRT, the local authority under the Department of Infrastructure, Energy and Resources of Tasmania (DIER). GSLM had expenditure obligations under these licence conditions. The conditions required scheduled reported expenditure of AU\$21.5 million (and Mandatory Expenditure of AU\$17,200,000), by 30 September 2009 (Table 3). The company has accumulated expenditure to in excess of AU\$50 million; meeting licence conditions (Table 1).

Table 3: Mandatory and Proposed Expenditures for SEL13/98 during 2004-2009.

Year	Expenditure	Cumulative Expenditure	Mandatory Expenditure
1	\$5,341,000	\$5,341,000	\$4,272,800
2	\$3,020,000	\$8,361,000	\$6,688,800
3	\$4,799,000	\$13,160,000	\$10,528,000
4	\$6,530,000	\$19,630,000	\$15,752,000
5	\$1,810,000	\$21,500,000	\$17,200,000

During 2007, Terrex Seismic completed a AU\$4.4 million (direct costs to Terrex) 2D seismic survey which was additional to the approximate AU\$2.23 million 2006 program and the 660 line kilometres survey that GSLM acquired during 2001. A total of 1,149 line kilometres has been acquired over SEL13/98. These surveys have indicated the presence of over 15 (possibly 50) structures which have the potential to have trapped oil and gas. The two largest (70km x 30km) structures being the Bellevue Dome (anticline) and the Thunderbolt Dome (anticline), structures over 2,100km² in area, and have the potential to contain substantial volumes of oil and gas.

The seismic program commenced on a 58.76 line kilometre survey area in Tasmania around the township of Zeehan in March 2007. The information obtained from this activity on an outside area assisted with the interpretation of the seismic signature of deeper rock sequences under the Tasmania Basin, which we have classified as being within the Larapintine petroleum system. It is one of three petroleum systems currently identified as prospective

onshore Tasmania. The first is the Gondwanan petroleum system and is analogous to the Cooper Basin (in central Australia) and Eromanga Basin which was discovered in the early 1960's and supply gas to Adelaide, Melbourne, Sydney and Brisbane. The Larapintine system is analogous to the Amadeus Basin in Central Australia which supplies gas to Darwin (Northern Territory). The third system is analogous to methane gas discovered in the Precambrian (700,000 million year old) dolomites in the McArthur River area, Northern Territory.

With our consultants, GSLM reviewed the geology and geophysics of the Central Highlands of Tasmania, using data acquired from the 2001, 2006 and 2007 seismic surveys and previous extensive regional ground gravity and aerial magnetic surveys acquired during the last 20 years (this data has been interpreted by David Leaman from Leaman Geophysics Pty Ltd). This work assisted in further defining drilling targets and the basis of well location, design and engineering. GSLM also coordinated a more detailed prospect definition gravity survey to assist with the interpretation and analysis of the seismic results. The gravity data was acquired by independent contractor Solo Geophysics Pty Ltd.

During the fourth quarter of 2007, GSLM performed additional seismic surveys in certain areas identified by the prior 2D survey as the apex of potential targets that have potential oil and gas traps. GSLM then engaged in planning and costing 3D seismic surveys to supplement and expand earlier data with the view of assisting in the management of an extraction plan should our exploration wells be successful in discovering reserves which can be produced.

During 2008, international geosciences consulting company RPS Energy prepared an updated Competent Person's Report, suitable for inclusion in a prospectus, on GSLM's tenement and Beacon Equity prepared a research report on Empire Energy that covered GSLM's activities. During early 2008, final site selection was carried out for drilling exploratory wells using previously acquired geological, geophysical and geochemical data. Extensive environmental, forestry, heritage, archaeological, acoustic, hydrogeological and engineering studies were carried out on the Bellevue and Thunderbolt structures and sites at Bellevue and Thunderbolt were selected. A management system audit of Hunt Energy and GSLM was carried out in August 2008, and drilling plans for Bellevue#1 and Thunderbolt#1 were submitted to MRT. Approval to drill both exploratory wells was obtained. Preliminary investigations were also carried out at the Lonnavele#1 well site. Extensive site work began at Bellevue#1 in July and August 2008.

In July 2008, with the financial guarantee of our Chief Executive Officer, we obtained a secured loan in the amount of AU\$5 million from Smart Win to pursue the drilling program on SEL13/98. Initial draw on this loan of approximately AU\$2.7 million allowed mobilisation of the drilling contractor, prepaid initial drilling cost and provided working capital to the company. Additional drawing under this note was expected to fund the drilling program (once the drill rig was onsite at Bellevue#1) and complete at least the first well. In conjunction with this note, Empire/GSLM agreed to a memorandum of understanding that could bring up to AU\$45 million to the drilling program in exchange for up to a 50% interest in the licence property.

During August and September 2008, GSLM commenced drilling on the Bellevue#1 site and completed the pre-collar hole to 272 metres. The initial air hammer rig was removed to make

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way for the deep drilling exploration Hunt Energy rig to move on site to finish the well to 2,600m. Onsite inspection of the Hunt Energy Rig#3 was conducted by MODUSPEC whose report on the condition of the rig was received on the 30 December 2008. The combination of the failure of Smart Win to advance the remaining AU\$1.1 million due under the AU\$5 million note and the effects of the global financial crisis resulted in the delay of the drilling program until winter. The winter weather conditions at the Bellevue#1 well site further compounded the delays to the drilling program. As a result, GSLM was unable to complete the scheduled drilling program by 30 September 2009 and were not permitted to drill at Bellevue #1 site until Exploration Licence (EL) 14/2009 was granted, and new drilling Permits issued by MRT.

2 EXPLORATION ACTIVITY BY GREAT SOUTH LAND MINERALS LIMITED (2010 – 2011)

2.1 SUMMARY OF EXPLORATION COMPLETED

2.1.1 Background

GSLM has expended in excess of AU\$50million of capital investment in Tasmania, exceeding all the licence conditions set by MRT for SEL13/98. As a prerequisite part of the preparation of its oil and gas application (Appendix 5), GSLM obtained a valuation of the resource identified by the exploration and evaluation work performed over the past ten years (Appendix 9).

On 30 September 2009, GSLM made application to MRT for an area representing 49% of the 2nd 5 year term of SEL13/98, covering 7,513 km² over the most prospective areas of interest arising from prior exploration activities (Figure 10, (Appendix 5)). In particular, this included twelve oil and gas bearing structures or leads that have been independently verified and reported by leading Oil and Gas experts, RPS Energy (refer to Figure 11, Figure 12 showing location of structures).

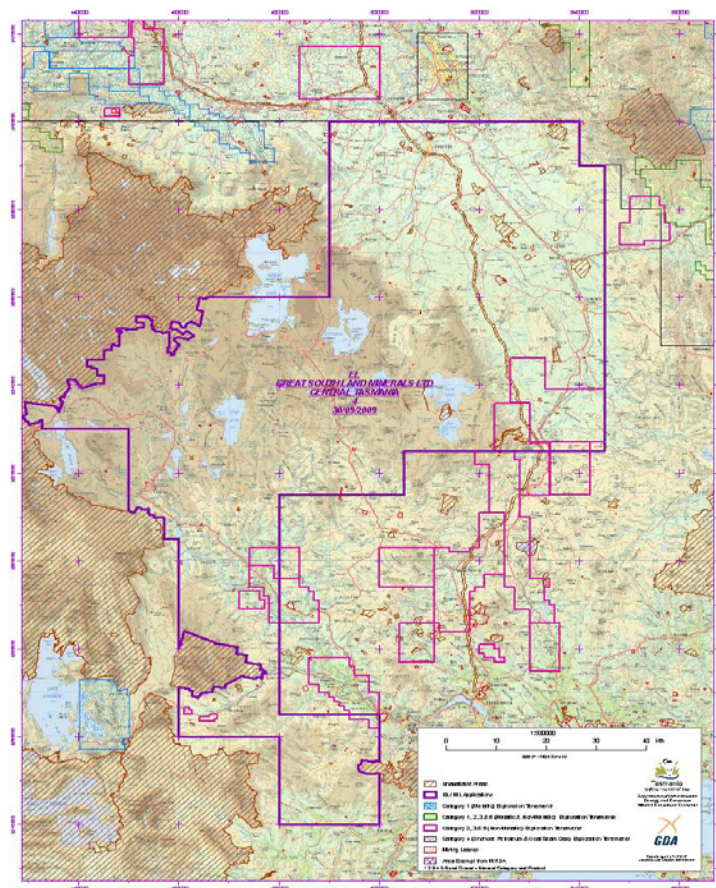


Figure 10: EL14/2009 as applied for by GSLM on 30 September 2009 for approximately 7,513km².

Furthermore, GSLM commissioned RPS Energy to complete an Economic Evaluation of the Bellevue and Thunderbolt Prospects within SEL13/1998 (Appendix 11) which was

subsequently completed during December 2009. Although, the valuation was conducted only over two of GSLM's twelve structures, the report adopts an Expected Monetary Value (EMV) approach using a probability tree methodology to model the range of possible outcomes for the assumed developments by GSLM (Appendix 11).

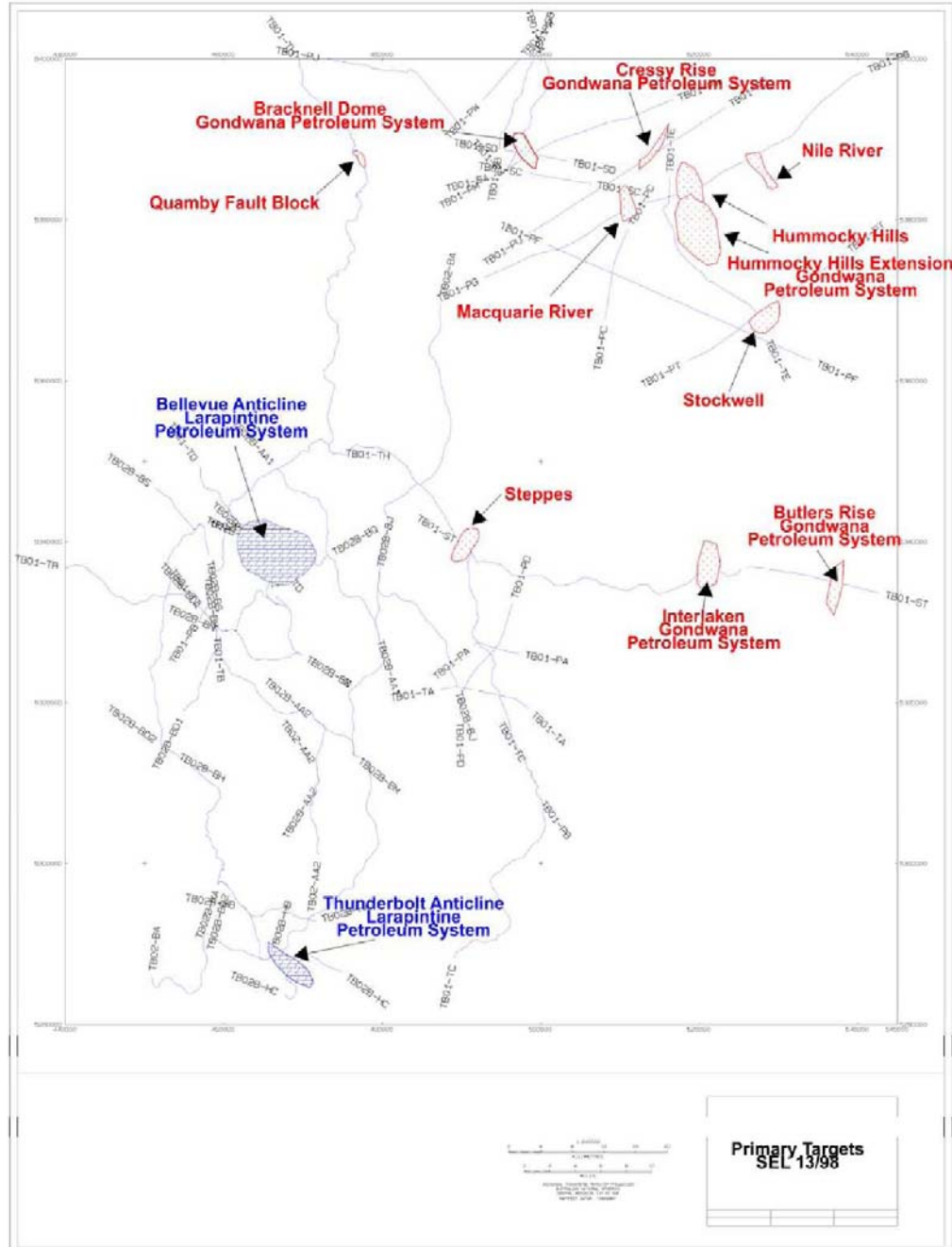


Figure 11: Primary Targets Block SEL13/98 (RPS Energy, 2008 contained within Appendix 27J (App. A)

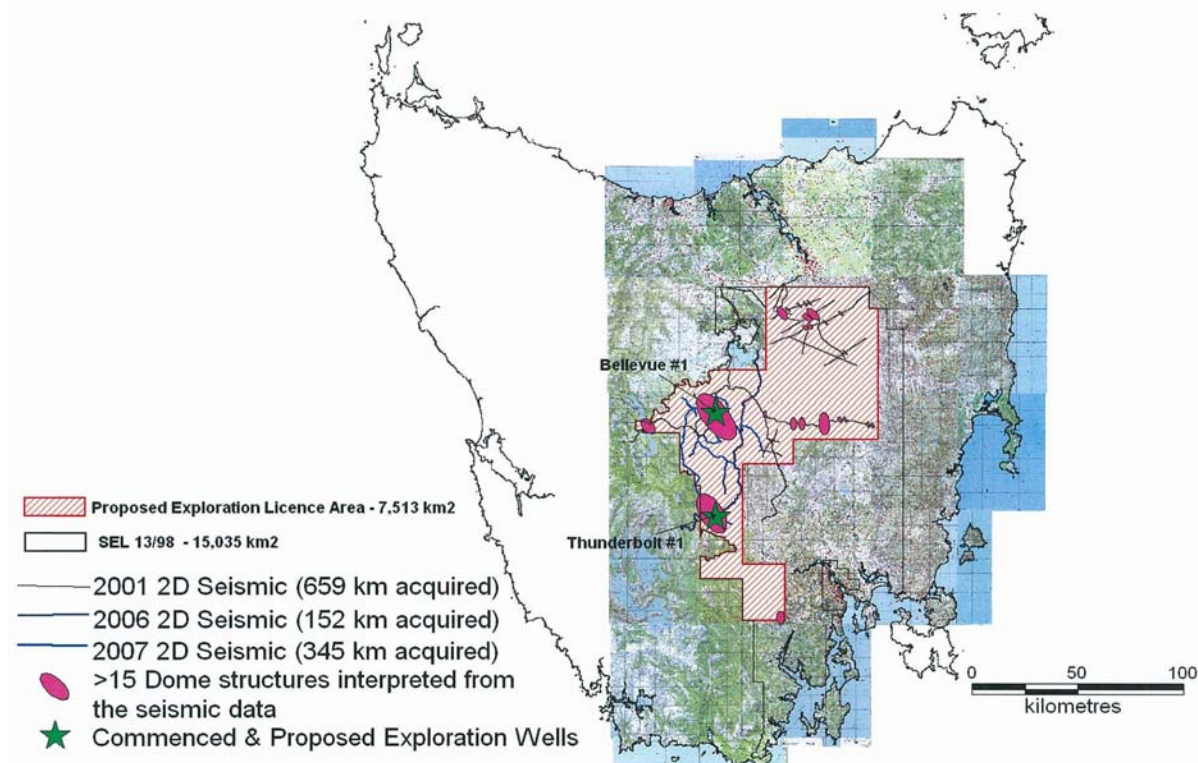


Figure 12: Dome structures interpreted from seismic data contained with the original EL14/2009 application.

On the 15 February 2010, GSLM received a letter and accompanying map from MRT showing the possible licence area (in two parts) which covered 18% of the Bellevue and Thunderbolt domes. This was unsatisfactorily noted by GSLM to MRT, as it did not completely cover all of GSLM's twelve prospective structures that were included in the application (Figure 12). This was of great concern to GSLM since over the past 10 years, GSLM and Empire have expended in excess of AU\$50million (Table 1) of capital investment in Tasmania on the basis it could secure the more prospective areas identified as an exploration licence in a contract it had with MRT prior to the granting of SEL13/1998.

2.1.2 Economic Evaluations/ Due Diligence

RPS Energy Pty Ltd (RPS), one of the world's leading independent expert suppliers of oil and gas evaluations, prepared a Competent Persons Report (Appendix 27J (App. A)) indicating that the undiscovered prospective oil and gas resource contained within the structures identified by GSLM's geophysical and seismic work was 668 million barrels. The domes and undiscovered resources are identified in Figure 11, Figure 12 and Table 4. After extensive due diligence WHK Denison (WHK), a major Australian accounting firm, gave Empire/GSLM an undiscovered prospective resources valuation of \$3.3 billion based on US \$5 per barrel (Appendix 9). Based on GSLM's current undiscovered prospective resource estimates, this results in a significant valuation of \$3.3 billion. This confirms GSLM's findings and belief developed over these past ten years through our diligent work and significant AU\$50 million investment meeting the licence conditions of SEL13/98.

The Prospective Resources for twelve primary prospects and leads within the SEL13/98 block are summarised in Table 4. “Risk Factor” for Prospective Resources means the chance or probability of discovering hydrocarbons in a sufficient quantity for them to be tested to the surface.

Table 4: GSLM Prospective Resources. Source: RPS Energy (2008). Chance of Success (COS): Chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface

Prospect / Lead	Gross Prospective Resources Oil (mmbbls)				Risk Factor	Operator
	Low Estimate	Best Estimate	High Estimate	Mean Estimate	COS %	
Bellevue Upper Unit	38	151	484	220	2.0	GSLM
Bellevue Lower Unit	24	95	307	139	2.0	GSLM
Bracknell Dome	3	18	90	37	1.2	GSLM
Butlers Rise	2	14	63	25	0.77	GSLM
Interlaken	2	10	40	17	0.47	GSLM
Cressy	3	12	48	21	1.2	GSLM
Hummocky Hills	5	30	138	58	1.2	GSLM
Thunderbolt	12	53	198	88	0.72	GSLM
Macquarie River	3.52	13.1	42.4	19.7	0.58	GSLM
Nile River	3.52	13.1	42.4	19.7	0.81	GSLM
Quamby	0.405	1.52	4.95	2.28	0.63	GSLM
Steppes	1.96	7.39	24	11.1	1.3	GSLM
Stockwell	2	7.4	23.6	11	0.75	GSLM

As discussed previously, GSLM commissioned RPS Energy to complete an Economic Evaluation of the Bellevue and Thunderbolt Prospects within SEL13/1998. This report is attached as Appendix 11.

GSLM are currently assessing the provisions of the Valmin Code,(the Code) to assess the Value of the assets of GSLM. Under the Code, ‘Value’ is the Fair Market Value of a Mineral or Petroleum Asset or Security. It is the amount of money (or the cash equivalent of some other consideration) determined by (an Independent Expert) in accordance with the provisions of the Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation date in an open and unrestricted market between a willing buyer and a willing seller in an ‘arms length’ transaction, with each party acting knowledgeably, prudently and without compulsion. This is a prudential exercise to assess the Value of assets for any Joint Venture, Farm-in or Farm-out transaction in an open market.

To determine opinion as to ascertain a ‘most likely’ valuation (as it deals with assessment of Contingent and Prospective Resources only), is based on comparative market transactions, and relates to a review and involved assessment of the terms of various farm-ins or other relative transactions entered into between other parties (within Australia).

Only comparable market transactions (similar oil prices, similar development costs) based on expected outcomes are offered as a sensible guide. These can be based on the savings to the

exploration company provided by the farm-out or on the expected reward (Bbbls of oil and / or TCF gas) that the farminee / partner anticipates to obtain from the transaction.

High' level estimates are determined only apply if resources are present and are producible, otherwise, have regard to the 'RPS Risked calculations for assets where potential production from the different projects, prospects or leads has been calculated to show the new EMV as positive production, which could be derived from the acquisition and farm-in/JV transactions should they ultimately find producible hydrocarbons.

In order to provide a basis for the values (high, medium or low) determined, the RPS Energy Risk Adjusted Contingent and Prospective Resources net to GSLM from the different prospects and leads are calculated, and is made only in cases where there is EMV positive production derived from acquisition and farm-in transactions.

Consideration is given to the approximate expenditure to date on various permits, which is attributed to the prospects and leads and the carrying values of exiting assets in the books, as well as a review of the prospects and prospectively of all permits (existing and proposed). These values are primarily used to determine the Low Market Value Estimate and represent the Cost base.

Based on comparative transaction assessment GSLM will determine the current "most likely" value of GSLM assets (Cost base) and based on comparative Empirical data, and on the Australian market transaction assessment, a "most likely" value of any proposed acquisitions and/or farm-in arrangement will be determined.

Valuations on farm-in/JV opportunities occur when successful work programs have delivered reduced risks and there is an opportunity to realize an improved risk adjusted value by means of additional work, typically, 3D seismic surveys or drilling, which forms the basis of the premiums paid for farm-in opportunities. Premium assessments are to be done (as they are likely to emerge) to account for such activities. In this instance, 'book values' represent "most Likely Values" for most of the current portfolio of opportunities held by the company until further exploration work enhances attractiveness.

GSLM are therefore now in process of determining:

- The direct (Historical) costs to determine the cost base of each asset that is directly attributed to proving the existence of each structure (prospect) or lead arising from SEL13/98;
- An assessment of comparative market transactions as it relates to a review and involved assessment of the terms of various farm-ins or other relative (or comparable) transactions entered into between other parties (within Australia).
- Reviewing and having regard to inclusion of the RPS Energy Risked calculations for each Asset (lead) where potential production from the different projects, prospects or leads has been calculated to show the new EMV as positive production, which could be derived or realised from any acquisition and/or farm-in/JV transactions should they ultimately find producible hydrocarbons.
- Assessment of the RPS Energy Risk Adjusted Contingent and Prospective Resources net (and accessible) to GSLM from the different prospects and leads which are

calculated, and is made only in cases where there is EMV positive production, derived or resulting from investment/acquisition and/or farm-in transactions.

- Finally, based on the comparative transaction assessment GSLM will determine the current “most likely” value of GSLM assets) based on comparative market transaction Empirical data and a “most likely” value of any proposed investment, acquisitions and/or farm-in arrangement will be determined.

This assessment is likely to attribute to the values of the assets proven by RPS Energy in various reports dating from 2007, 2008 & 2009 that exist onshore Tasmania Basin for current and future, exploration and development. It will further independently validate the WHK Denison Valuation of the Assets of GSLM at Mean estimate of \$3.3 billion.

Empire and Empire Energy have also complied detailed Due Diligence documents and associated updates and addendums (refer to Appendix 1, Appendix 19 and Appendix 20). Empire/GSLM has also compiled Investor presentations and financial projections (refer to Appendix 21, Appendix 22 and Appendix 23).

2.1.3 Issuance of EL14/2009

On 17 May 2010 the Tasmanian Minister for Energy and Resources countersigned the documents to grant to GSLM Exploration Licence 14/2009, covering 3,108km² of the onshore Tasmania Basin including the two main structures at Bellevue and Thunderbolt identified while operating under SEL13/98 (Figure 13). EL14/2009 requires expenditure of AUD\$7.55 million and drilling of at least two wells over its two largest prospective areas during an initial licence term of two years. The government has advised GSLM that a further term can be granted if all the conditions of the licence are met within the first 2 year tenure.

On the 28 May 2010, GSLM were made aware of a licence condition contained within EL14/2009 that it had to complete the drilling of Bellevue #1 during Year 1 of the Licence and Thunderbolt #1 during Year 2 of the Licence term. However, on the 3 September 2010, during a meeting between GSLM representatives and the Minister for Energy and Resources (which included other government representatives) it was confirmed by the Director of Mines that the drilling of Bellevue #1 and Thunderbolt #1 could be completed anytime during the first 2 years of its term (Appendix 15).

Figure 13 (a), (b) and (c) shows the area of EL14/2009 (3,108km²) which permits GSLM to conduct exploratory work to prove up potential petroleum reservoirs suitable for developing the west and southwest portion included in former SEL13/98. EL14/2009 includes the two of the largest prospective areas (Bellevue & Thunderbolt) identified by the work completed under SEL13/98.

Independent consultants have estimated that the Bellevue and Thunderbolt structures could contain 447million barrels of undiscovered prospective resources (refer to CPR Report 2008 contained within Appendix 1, Appendix 1 and Appendix 27 (J) – *app.* and Table 4). This undiscovered prospective resource has been valued at US\$2.2 billion by independent experts who assumed a value discounted to US\$5 a barrel. At an oil price of US\$70 per barrel, this would potentially be a gross in-ground value of \$31 billion.

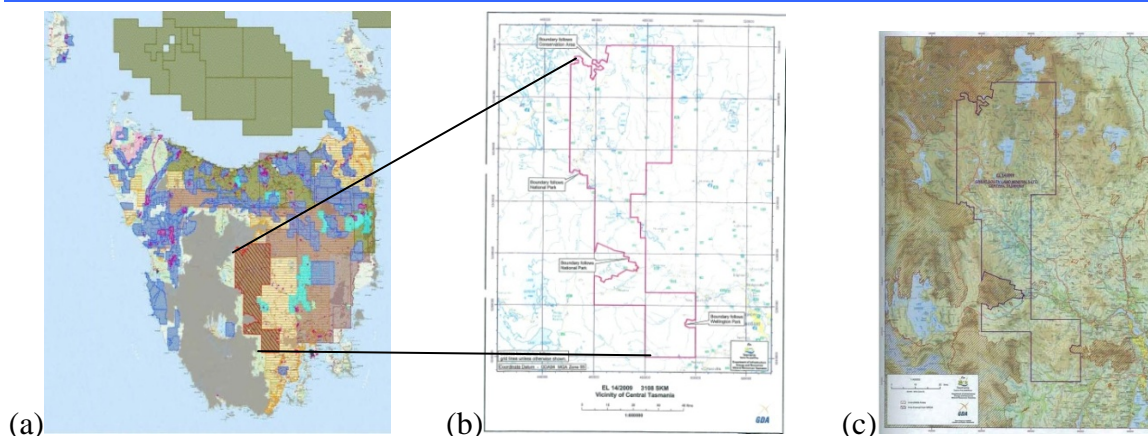


Figure 13: Exploration Licence 14/2009 as granted on 17 May 2010.

On the 19 April 2010, GSLM submitted a 'Notice of Appeal' to MRT (Appendix 6) regarding the Director of Mines notification and advertisement of his intention to recommend a reduced area to the Minister for Energy and Resources to exclude 80% of GSLM's discoveries from 7,513km² to 3,108km² (Appendix 6a and b). The Director of Mines recommendation was contrary to the area that GSLM applied for in its application submitted on 30 September 2009 and as discussed during a meeting held between representatives of GSLM and MRT on 21 December 2009.

On 11 June 2010, GSLM submitted a 'Notification of Claim RE: Application applied for 7,513km² vs area granted EL14/2009 for 3,108km²' (Appendix 12) to MRT with respect to the 10 prospective structures that GSLM were not issued within its application submission on 30 September 2009.

On 30 July 2010, GSLM submitted a 'Variation of Area' application (Appendix 13) and Claim (Appendix 14) to the Minister for Energy and Resources to vary EL14/2009 from 3,108km² to 15,035 km². This area was over the former SEL13/98 second 5-year term area and is deemed 'prospective' by GSLM due to the inclusion of all prospective oil and gas bearing structures.

On 24 December 2010, GSLM received a decision from the Minister for Energy and Resources declining the 'Variation of Area' application on the grounds that *'the provision to vary licences is intended to give discretion for small boundary adjustments to licences. To add large areas of land would circumvent the processes set out in the MRDA for the grant and issue of licences after due process had been followed'*. GSLM strongly disagrees with this statement and believes that due process was not followed in GSLM's originating EL14/2009 application. A formal appeal was lodged during January 2011 with the Mining Tribunal of Tasmania regarding the decision by the Minister to not vary the area to include GSLM's prospective structures. The Tribunal Hearing commenced on the 1 March 2011 and a Directions Hearing was held on the 15 March 2011. The matter remains unresolved as at the date of this report.

On the 21 January 2011, GSLM submitted two exploration/variation licence applications to MRT both covering the 10 defined structures (Appendix 18 A & B). The 10 structures that GSLM insists be restored are known as Bracknell Dome, Butlers Rise, Interlaken, Cressy, Hummocky Hills, Macquarie River, Nile River, Quamby, Steppes and Stockwell (also refer

to Table 4). These structures have been conservatively recorded in the books and accounts of GSLM in accordance with applicable USA and Australian Accounting Standards, and in accordance with the RPS Competent Persons Report and WHK Valuation (Appendix 9) as having a value of \$1.1billion based on substantial discounting of the US\$ price of oil as \$5 per barrel (based on a recent market transaction).

GSLM believes it has legal and exploration rights to the remaining area included under SEL 13/98 based on the expiring licence and the company's entitlement to a first right of refusal to apply for and be granted, the most prospective areas based upon works completed to date.

Applications were opened March 2011 for licences to explore the remaining area included in SEL13/98 to which GSLM has made legal claim and application. Refer to Appendix 25(A-D) regarding applications applied for and their respective areas. The legal claims over ERA 791 are pending and have not yet been granted or resolved. During March 2011, GSLM lodged formal applications over ERA791 representing the remaining area of SEL13/1998, which is of commercial interest.

2.1.4 Summary of Work Completed

The following reports/correspondence was completed during the 2010-2011 reporting year under EL14/2009 that includes 11 months of reporting and expenditure:

- Due Diligence Report (March 2010) - (Appendix 1)
- Preparation of Conditional Drilling Contract - (Appendix 2)
- Tasmania Basin integrated seismic section East-West - (Appendix 3)
- Tasmania Basin integrated seismic section North-South - (Appendix 4)
- Application for Exploration Licence 14/2009 (2009) - (Appendix 5)
- Letters of Appeal – GSLM & Empire Energy - (Appendix 6)
- GSLM Accounts 2008 - (Appendix 7)
- Empire (US) Accounts Audit (2009) - (Appendix 8)
- WHK Denison Report – Financial Capacity - (Appendix 9)
- Sure Asset Management Agreement (30 June 2010) - (Appendix 10)
- Economic Evaluation of Bellevue & Thunderbolt (Dec 2009) - (Appendix 11)
- Notification of Claim to MRT (11 June 2010) - (Appendix 12)
- Submission of EL Variation of Area Application (July 2010) - (Appendix 13)
- Claim in relation to ERA 791 – MRD Act 1995 Section 128(n) - (Appendix 14)
- Meeting with Minister (3 September 2010) - (Appendix 15)
- Comparison of Stratigraphic Characteristic (Lithology & Thickness) of Eldon Range Group / Tiger Groups in Tasmania with the Equivalent Sediments of Munda Group (Officer Basin) In Central Australia Basins - (Appendix 16)
- Financial Report for the year ended 31 December 2009 (Draft) - (Appendix 17)
- Exploration Licence Applications/Variation over Central Tasmania - (Appendix 18)
- Due Diligence Report (January 2011) – (Appendix 19)

- Due Diligence Addendum (January 2011) – (Appendix 20)
- Empire Energy Executive Summary and Investor Preparation - (Appendix 21)
- Empire Energy Investor Presentation - (Appendix 22)
- Financial Projections - (Appendix 23)
- Summary of Top 20 Accomplishments by GSLM – (Appendix 24)
- Exploration Licence Applications within ERA 791 – (Appendix 25)
- Preparation of Permit - (Appendix 26)
- Review of work completed in SEL13/98 (including appendices) – (Appendix 27)

2.2 PREPARATION OF PERMITTING FOR BELLEVUE AND THUNDERBOLT

During 2010-11, GSLM has been reviewing and updating its environmental studies/permit to enable the resumption of its drilling programs over Bellevue #1 and Thunderbolt #1 sites and to complete the goal of commercialising oil and gas within the Tasmania Basin.

Prior to the changeover from SEL13/98 to EL14/2009, GSLM had approved permits in place for Bellevue and Thunderbolt sites. However, it was made mandatory, by MRT, under the issuance of EL14/2009 that new application for permits had to be submitted to MRT for approval, before any wells could be drilled.

It was made apparent to GSLM during mid-2010 that the Property covering the Bellevue #1 site was on the market for sale, owned at the time by Gunns Ltd. Contact was made with the new landowner during early 2011 and a title search (Appendix 26 E) showed that the Property was transferred and registered from Gunns Ltd to The Tasmanian Land Conservancy. GSLM formally issued a 'Notice to Enter Private Land' (Appendix 26 D) to the Tasmanian Land Conservancy, and a visit to the Bellevue #1 site was conducted on the 18 March 2011.

GSLM has commenced negotiations with the new Landowner and is currently undertaking the drafting of a Landowner Access and Rental Agreement (Appendix 26 C). It is anticipated that this agreement will be completed soon.

GSLM has also commenced updating the Forest Practices Plan (FPP) over the Bellevue #1 site (Appendix 26 B (1)) and is currently preparing to vary the FPP to:

- To change the Landowner from Gunns Limited to 'The Tasmanian Land Conservancy' due to the land where exploration is being undertaken has been sold;
- To extend the operation area contained within the FPP by approximately 50m from the original operation area; and
- To extend the FPP expiry date from 31 December 2011 to 31 December 2013.

The current Bellevue #1 site is proposed to be extended by a further 50 metres to allow enough clearing for the drilling program to carry out activities in a safe manner. As at the date of this report, GSLM is still waiting for the return FPP consents from the Landowner before our Forest Practices Officer (representative) submits the signed variation documents to the Forest Practices Authority.

During February/March 2011, The Tasmanian Land Conservancy completed an updated map showing the current Eagle nest sites within the vicinity of the Bellevue #1 hole (refer to Appendix 26 A).

2.3 DRILLING AND SEISMIC

2.3.1 Drilling

On 17 March 2010, Empire Energy made an announcement which stated it is in the process of acquiring a state-of-the-art 15,000 foot hydraulic drilling rig straight off the production line (Appendix 2 A & B). It is expected when the rig is ready for shipping that it will take approximately 6 weeks to get to Tasmania. However, discussions with Hunt Energy, late 2010, have also advised their availability to mobilise the Hunt Rig #3 back into Tasmania to complete Bellevue #1 and Thunderbolt #1.

If GSLM's court appeal is successful, GSLM will continue to proceed with drilling the remaining 10 structures and carry out further seismic surveys over these structures.

2.3.2 Seismic

During February 2010, GSLM integrated the acquired seismic data from the 2001, 2006 and 2007 surveys to produce the first East–West seismic section over the Tasmania Basin (Appendix 3). This East–West section shows and defines the names/targets of the major undiscovered resources as shown in the RPS Energy (2008) report (within Appendix 1, Appendix 19 & Appendix 27 (J) – *app.a*) and Figure 11, Figure 12 and Table 4.

Additionally, GSLM integrated the acquired seismic data from the 2001, 2006 and 2007 surveys to produce the first North–South seismic section over the Tasmania Basin (Appendix 4). The North–South section also shows and defines the names/targets of the major undiscovered resources as shown in the RPS Energy (2008) report (within Appendix 1, & Appendix 27 (J) – *app.a*) and Figure 11, Figure 12 and Table 4.

Although, GSLM has now defined over twelve targets and structures, it is continuing legal action with regards to ten structures that were not reissued as part of the applied for EL14/2009 application on 30 September 2009.

Currently, GSLM is liaising with a seismic contractor to book and prepare its seismic program as part of its three to five year program; refer to seismic program (Appendix 5). However, securing of trucks and permitting for this program will need to be completed over the next 12 months.

2.4 PROPOSED EXPLORATION

2.4.1 Exploration Aims/Philosophy

The exploration objective of GSLM is to discover and develop commercial quantities of oil and gas onshore Tasmania. GSLM's current exploration strategy is based on extensive gravity, seismic and drilling programmes, involving the acquisition of up to 1,200 line kilometres of 2D regional and infill seismic data, designed to:

- Improve the definition of currently identified world class anticlines (domes) and other suitable reservoir structures within onshore and local offshore waters of the Tasmania Basin;
- Determine the extent and degree of prospectivity of three petroleum systems that have been outlined within the Special Exploration License 13/98 leasehold and are included in Exploration License 14/2009 and the pending Exploration License applications and legal claims to those areas;
- Define more potential petroleum targets within the Tasmania Basin; and
- Test existing potential targets (of up to 12 structures, subject to Government approvals) already defined through previous seismic and proposed drilling programs and prove the commercial validity of the RPS evaluation of Special Exploration Licence (SEL)13/98 assets and the undiscovered prospective resource of 668 million barrels.

The following major developments were completed through 2010 and are anticipated over the next year and subject to meeting the conditions of EL14/2009, a further extension of the rights to continue to explore (and develop) oil and gas assets in Tasmania under EL14/2009 will be considered with the following activities being noted and planned:

- Over 1,149 line kilometres of seismic data has been obtained and processed with extensive internal analysis undertaken to define anticline structures within SEL13/98;
- GSLM has completed and undertaken a review of the environmental, threatened species, archaeological, cultural, hydrological, acoustic and fire-risk assessments of its two primary potential drill sites at Bellevue #1 and Thunderbolt #1, and has, since financial year end, obtained provisional land-owner approval to access the Bellevue site.

There is an ongoing major synthesis of all previous work as part of a basin analysis study of the onshore Tasmania Basin by RPS Energy, Perth, Western Australia:

- An integrated study has commenced of the geology and geophysics of Central Tasmania by Dr David Leaman, of Leaman Geophysics, utilizing current Gravity and seismic results;
- Re-processing of seismic lines shot in 2001, 2006 & 2007 by Fugro Seismic Imaging of Perth will be initiated to further delineate drilling targets;
- The seismic and drilling programs are planned to be ongoing subject to logistical, permitting and weather restrictions;
- The purchase of state-of the art seismic interpretation software (Kingdom Suite) for use on high-end computers is complete and has been installed at the Murray Street offices.
- GSLM have recruited several new staff members, bringing our staff and contractor numbers up to fourteen.
- GSLM have met and exceeded the work and expenditure conditions of Special Exploration Licence 13/98, through the term of the license, up until September 30, 2009.

2.4.2 Exploration Program

Please refer to Appendix 5 for detailed Exploration program. Appendix 5 is an extract of the GSLM's future exploration program is designed to define more potential petroleum targets. The original application (Appendix 5) has been prepared for a period of 5 years, which includes 3 years of seismic surveys. These seismic surveys are planned in specific areas and as is the case with most exploration, wherever possible, along the roads in order to minimise the impact of the survey on private land and on environmentally sensitive areas. Therefore, the selected area in EL14/2009 is desirable for future seismic survey to obtain adequate and reliable results.

2D onshore seismic is planned to be acquired for this exploration phase utilizing the vibroseis source and off-road explosives. Additionally, during the final phases of SEL 13/98's tenure, GSLM has been investigating new technologies to accelerate the remaining regional exploration and further delineation of drilling targets.

Exploration drilling program - Stage 1 to Stage 2 (refer to Appendix 5): As stated in Stage 1 and Stage 2 of our proposed exploration drilling program, depending on the initial results of the exploration wells, Bellevue #1, and Thunderbolt #1. These wells will provide information on the petrophysical seal, reservoir and source-rock characteristics of all petroleum systems. The results from these drill holes will allow for a reinterpretation of the seismic data acquired during the 2001, 2006 and 2007 surveys. These three seismic surveys are located throughout the EL14/2009 application area.

Exploration drilling program - Stage 3 to Stage 6: During Stage 3 through to Stage 6 of our exploration drilling program, it is proposed to drill Lonnavele #2 and then deepen Stockwell #1. Furthermore, it is also anticipated to expand our research and exploration to provide more accurate information on the petrophysical seal, reservoir and source-rock characteristics of other structures located in the Longford Basin, Central Highlands and southern areas of this application. The information gathered will help advance interpretation of our previous seismic surveys acquired during years 2001, 2006 and 2007 and will be used for other proposed drill sites such as Hummocky Hills, Bracknell, Cressy, Nile River, Macquarie River, Quamby, Steppes, Interlaken and Butlers Rise which are all located within our original application, EL14/2009.

Exploration Seismic Program - Stage 1: During stage 1 of our exploration program acquisition of 2D seismic using vibroseis and off-road explosives is planned for year 3 to 5 to define more closely the structures at Bellevue, Stockwell, Interlaken, Scotts Tier and Steppes, to continue the regional grid over the Tasmanian Basin.

Exploration Seismic Program - Stage 2: Stage 2 of GSLM exploration program includes acquisition of 2D seismic survey results using vibroseis, mainly along roads to expand our seismic coverage to the South, South East and East parts of the Tasmanian Basin. This seismic survey is planned for year 3 to 5 to define more closely the structures at Thunderbolt and Lonnavele and to continue the regional grid over the Tasmanian Basin.

2.5 ENVIRONMENTAL IMPACT ACTIVITIES

No environmental impact study has been carried out since the commencement of EL14/2009. However, approximately 1 hectare was cleared over the Bellevue #1 drill site during 2008-2009 with a pre-collar hole already completed.

Environmental controls are imposed within the provisions of the Environmental Management and Pollution Control Act 1994, which provides the government basis for the prevention, reduction and remediation of environmental harm, including environmental nuisance and its adverse effect on the environment. Permits are issued in accordance with the Land Use Planning and Approvals Act 1993 and Mineral Resources Development Act 1995 in respect of proposed use or development affecting leased land.

GSLM is required to place environmental and remediation bonds to ensure that sites are adequately rehabilitated so that there are no remaining environmental or safety hazards requiring remediation in the event of the company failing to carry out site remediation obligations and is consistent with other Australian jurisdictions. GSLM has provided a cash bond in the amount of AU\$75,000 in conjunction with licence applications that are currently held by MRT. Prior to drilling any one (1) well, GSLM will be required to increase the bond to approx. AU\$200,000 per well.

2.6 REHABILITATION

No rehabilitation has been carried out since the issuance of EL14/2009, however, a visit to the Bellevue #1 site was completed during March 2011 with the new Land Owner to review the site. It was noted that the site was in good condition. GSLM is currently drafting a new Landowner Access and Rental Agreement with the new Landowner to enter and conduct exploration activities over the Bellevue #1 site. It is anticipated that this agreement will be finalised soon. The Landowner Access and Rental Agreement will then be included into the updating of the Bellevue #1 Permit.

Abandonment and reclamation of Bellevue #1 and the costs associated therewith is often referred to as “decommissioning.” GSLM have provided an AU\$75,000 cash bond to the Tasmania Government for these potential costs in respect of any of our current properties or facilities. We are required to increase this bond to AU\$200,000 for every well planned to be drilled.

2.7 PROPOSED EXPENDITURE FOR 2011-2012

Please refer to (Appendix 5 C) and the annual review green form regarding the proposed expenditure commitment of AU\$7.5million contained within the original EL14/2009 application. It should be noted that over AU\$1.95 million has been spent in the first three expenditure quarters for EL14/2009. The remaining amount to be spent over the next year and one quarter will be approximately AU\$5.5 million. Please refer to Table 5: Itemised Expenditure on EL14/2009, per line item, per quarter between 17 May 2010 to 31 March 2011.

2.7.1 Itemised Expenditure Summary 2010-2011 for EL14/2009

Table 5 provides GSLM's itemised expenditure on EL14/2009 (2010-2011).

Table 5: Itemised Expenditure on EL14/2009, per line item, per quarter between 17 May 2010 to 31 March 2011

Period		Geology	Geochemistry	Geophysics Air	Geophysics Ground	Feasibility Studies	Rehab.	Drilling	Gridding	Land Access	Admin.	Other	Total
Apr-10	Jun-10	507,727	-	-	-	115,252	-	10,184	-	-	182,225	333,225	1,149,353
Jul-10	Sep-10	95,860	-	-	-	15,647	-	-	-	-	19,397	90,556	221,460
Oct-10	Dec-10	99,561	-	-	-	25,091	-	-	-	-	18,125	48,187	190,964
Jan-11	Mar-11	248,851	-	-	-	11,948	-	-	-	-	33,217	94,392	388,409
Apr-11	Jun-11	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$1,950,186											

2.7.2 Expenditure Summary 1984 to 2011

GSLM has spent over AU\$50million during the tenure of SEL13/98. Therefore, Empire/GSLM and its predecessor companies have now invested over AU\$58,357,321 for the exploration of oil and gas onshore Tasmania, Australia (Table 6).

Table 6: Summary of Expenditure 1984 to 2011.

Summary of Expenditure			
Year	Company	Expenditure	Sub Total
1984	Conga Oil Pty Ltd	(1) \$3,300.00	
1985	Conga Oil Pty Ltd		
1986	Conga Oil Pty Ltd		
1987	Conga Oil Pty Ltd		
1988	Conga Oil Pty Ltd		
1989	Conga Oil Pty Ltd		
1990	Conga Oil Pty Ltd		
1991	Conga Oil Pty Ltd	(1) \$451,337.00	\$3,092,223
1992	Conga Oil Pty Ltd	(1) \$600,000.00	
1993	Condor Oil Investments Pty Ltd	(1) \$153,170.00	\$236,731
1994	Condor Oil Investments Pty Ltd	(1) \$83,561.00	
1995	Great South Land Minerals Pty Ltd	(1) \$304,812.00	\$2,226,525
1996	Great South Land Minerals Pty Ltd	(1) \$203,721.00	
1997	Great South Land Minerals Pty Ltd	(1) \$1,231,567.00	
1998	Great South Land Minerals Pty Ltd	(1) \$387,125.00	
1999	Great South Land Minerals Ltd	(1) \$99,300.00	
2000	Great South Land Minerals Ltd	(2) \$122,157.98	\$50,851,656
2001	Great South Land Minerals Ltd	(2) \$2,967,850.85	
2002	Great South Land Minerals Ltd	(2) \$1,965,128.46	

Summary of Expenditure			
Year	Company	Expenditure	Sub Total
2003	Great South Land Minerals Ltd	⁽²⁾ \$1,356,343.36	
2004	Great South Land Minerals Ltd	⁽²⁾ \$ 260,874.11	
2005	Great South Land Minerals Ltd	⁽²⁾ \$18,154,157.08	
2006	Great South Land Minerals Ltd	⁽²⁾ \$ 8,803,197.07	
2007	Great South Land Minerals Ltd	⁽²⁾ \$ 3,205,507.81	
2008	Great South Land Minerals Ltd	⁽²⁾ \$ 9,074,898.00	
2009	Great South Land Minerals Ltd	⁽²⁾ \$ 4,941,541.80	
2010	Great South Land Minerals Ltd	⁽³⁾ \$1,950,186.00	
Total			\$58,357,321

(1) Refer to Gerald Carne & Associates reports and Annual Reports for expenditure.

(2) MRT Quarterly Expenditure Sheets for SEL13/98.

(3) MRT Quarterly Expenditure Sheets for EL14/2009 (17 May 2010 to 31 March 2011).

3 REFERENCES

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4 APPENDICES

Appendix 1: Due Diligence Report (March 2010)

Empire Energy / Great South Land Minerals Limited

Appendix 2: Drill Rig Documents

Yahoo Finance and GEFCO respectively

2.A Media Release

2.B Conditional Drilling Contract March 2010

Appendix 3: Integrated Seismic Section: East-West Tasmania Basin

Appendix 4: Integrated Seismic Section: North-South Tasmania Basin

Appendix 5: Application for Petroleum (Oil & Gas) Exploration Licence – 7,513km²

Great South Land Minerals Limited

(excl attach)

5.A Attachment F1 – Aims & Exploration Philosophy

5.B Attachment G1 – Proposed Exploration Program & Proposed Expenditure Year 1-2

5.C Attachment G4 – GSLM Seismic/Exploration Plan – Budget

5.D Attachment H – Summary of the Proposed Exploration Program

Appendix 6: Letters of Appeal

Great South Land Minerals and Empire Energy respectively

6.A Exploration Licence Application 14/2009 – Formal Appeal

6.B Special Exploration Licence Application (SEL) 13/2009 – Formal Appeal

Appendix 7: Financial Report for the year ended 31 December 2008

Great South Land Minerals Limited / UHY Haines Norton

Appendix 8: Form 10K - Annual Report 2009

Empire Energy / United States Securities and Exchange Commission

Appendix 9: Accountants Confirmation letter to Director of Mines

WHK Pty Ltd

Appendix 10: Sure Capital Asset Management Agreement

Empire Energy Corporation International and Sure Asset Management

Appendix 11: Economic Evaluation - Bellevue & Thunderbolt Prospects in SEL13/98

RPS Energy Pty Limited

Appendix 12: Notification of Claim under Section 129(1) of the MRD Act 1995

Great South Land Minerals Limited

Appendix 13: Application for Variation of EL 14/2009

Great South Land Minerals Limited / Empire Energy

(excl attach)

Appendix 14: Application for Claim in respect of ERA 791

Great South Land Minerals Limited

Appendix 15: Liaising with Minister for Resources regarding drilling schedule

Great South Land Minerals Limited

Appendix 16: Comparison of Stratigraphic Characteristic (Lithology and Thickness) of Eldon Range Group / Tiger Groups in Tasmania with the Equivalent Sediments of Munda Group (Officer Basin) In Central Australia Basins' (Draft)

Great South Land Minerals Limited

Appendix 17: Financial Report for the year ended 31 December 2009 (Draft)

Great South Land Minerals Limited

Appendix 18: Exploration Licence Application/Variation over Central Tasmania

Great South Land Minerals Limited

18.A Application for 7,513km² of Central Tasmania (excl attach)

18.B Application for 23,945km² of Central and Eastern Tasmania (excl attach)

Appendix 19: Due Diligence Report (January 2011)

Empire Energy/Great South Land Minerals Limited

Appendix 20: Due Diligence Addendum (January 2011)

Empire Energy, Great South Land Minerals Limited

Appendix 21: Executive Summary and Investor Presentation

Empire Energy/Hunter Wise

Appendix 22: Investor Presentation

Empire Energy

Appendix 23: Financial Projections

Empire Energy / Great South Land Minerals Limited

Appendix 24: Top 20 Accomplishments

Great South Land Minerals Limited

Appendix 25: Exploration Licence Applications within ERA 791

Great South Land Minerals Limited

- 25.A Exploration Licence Application – Area A – 4,405km² (excl attach)
- 25.B Exploration Licence Application – Area B – 4,144km² (excl attach)
- 25.C Exploration Licence Application – Area C – 3,378km² (excl attach)
- 25.D Exploration Licence Application – Area D – 11,927km² (excl attach)

Appendix 26: Preparation of Permit

Great South Land Minerals Limited

- 26.A Eagle Nest Sites within Licence Area – Update
- 26.B Forest Practices Plan
 - 1. Bellevue #1 (FPP No. TAS0323-01) – Update, amendment to vary area (Draft)
 - 2. Bellevue #2 (FPP No. BPH0111-02) – Update
- 26.C Landowner Contract (Draft)
- 26.D Notice of Intention to Enter Private Land
- 26.E Title Search on Land Covering Bellevue #1 Site

Appendix 27: SEL13/98 Final Report (including appendices)

Great South Land Minerals Limited / Empire Energy

- 27.A 2000 Report
- 27.B 2001 Annual Report
- 27.C 2002 Annual Report
- 27.D 2003 Annual Report
- 27.E 2004 Annual Report
- 27.F 2005 Annual Report
- 27.G 2006 Annual Report
- 27.H 2007 Annual Report
- 27.I 2008 Annual Report
- 27.J 2009 Annual Report

