

GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

FINANCIAL REPORT FOR THE YEAR ENDED
31 December 2008

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GREAT SOUTH LAND MINERALS LIMITED
ABN 54 068 650 386
Financial Report For The Year Ended 31 December 2008
DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2008.

Directors

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

Mr Malcolm Bendall	Chairman – Executive	Resigned 5/9/07, Reappointed 22/2/08
Dr Clive Burrett,	Executive Director	
Mr Graham Rogers	Director	Resigned 6/12/07, Reappointed 20/3/08, Resigned 19/8/08
Mr Phil Simpson	Director	Appointed 15/10/07, Resigned 27/1/09
Mr SA Sehsuvaroglu	Director	Appointed 5/9/07, Resigned 22/2/08
Mr John Garrison	Director	Appointed 20/3/08
Mr Tad Ballantyne	Director	Appointed 20/3/08

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

Directors Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings	
	A	B
Dr C Burrett	18	20
Mr M Bendall	16	16
Mr T Ballantyne	14	18
Mr J Garrison	22	22
Mr S Sehsuvaroglu	4	5
Mr P Simpson	17	17
Mr G Rogers	11	12

A - Number of meetings attended

B - Number of meetings held during the time the director held office during the year

Company Secretary

Ms Lisa Hoyle BSc, was appointed to the position of company secretary in August 2007. Ms Hoyle is a graduate of California State University, with a Bachelor of Science degree in Criminal Justice. She has worked in the legal field for the previous eight years. Mr J Garrison assumed duties as Company Secretary in July 2008.

Operating Results

The operating loss of the company for the financial year after providing for income tax amounted to \$9,162,173.

Principal Activities

The principal activities of the company during the financial year were exploration for petroleum and natural gas in Tasmania.

No significant change in the nature of these activities occurred during the year.

Review of Operations

On September 28, 2005, Great South Land Minerals Limited signed a seismic services agreement with Terrex Seismic Pty Ltd, an Australian company specializing in seismic survey work. Under the terms of the agreement Terrex provided 271 line kilometers of 2D seismic, spread throughout Special Exploration License 13/98. During 2007, this contract was substantially completed with a total of 1,149.68 line kilometers of 2D seismic being completed.

The Terrex budget had been initially planned to commence in 2005, but was delayed due to unavailability of seismic equipment, due to the increase in global oil prices and subsequent demand on limited equipment and resources in Australia. The budget, including the Seismic contract work described above and expenditure meeting the license conditions has exceeded the license conditions (over a five year term) as at December 31.

The following major projects & developments were completed from 2007 on:

The seismic program commenced on a 58.76 km survey area in Tasmania around the township of Zeehan in March 2007. At the completion of this initial phase, the seismic program then concentrated on Special Exploration License 13/98 in April 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 and the Gondwana Land System which outcrops at the surface (commonly known as the Tasmania Basin) is analogous to the Cooper Basin (in central Australia) which was discovered in the early 1960's.

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With our consultants, we 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 work assisted in further defining drilling targets and will form the basis of well location, design and engineering. We 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.

In the fourth quarter 2007, we 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 and then engaged in 3D 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.

In 2008 international geoscience consulting company RPS Energy prepared an updated Competent Person's Report 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. Drilling plans for Bellevue#1 and Thunderbolt#1 were submitted to Mineral Resources Tasmania and 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 Director, Mr Malcolm Bendall, Empire Energy Corporation International (Parent Entity) obtained a secured loan in the amount of AU\$5 million (US\$ 3.45 million) to pursue the drilling program on SEL 13/98. Initially this loan of approximately AU\$2.7 million (US\$1.86 million) allowed mobilization 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 and complete at least the first well.

During August and September 2008 we commenced drilling on the Bellevue # 1 site and completed the pre collar hole to 272 meters. The initial rig was removed to make way for the deep drilling Hunt Energy rig to move on site to finish the well. Onsite inspection was conducted by MODUSPEC whose report on the condition of the rig was received on the 30th December 2008. The continued drilling has not commenced, as we have been unable to raise the necessary funds to progress. This includes the failure of the secured loan provider to advance the remaining AUD\$1.1 million (USD \$759,770) due under the AU\$5 million (USD \$3.45 million) loan as well as the effects of the global financial crisis and the apparent refusal of creditors to advance funds on new projects and the failure of historic sources of those funding exploration ventures. Management remains confident that this shortage of operating capital will ease but there can be no guaranty that we will be able to finance the balance of our project at this juncture, which could cause the failure of our business. We have incurred significant standby charges since October 2008 and continued to incur costs at a rate over \$ 18,000 per day until the end of June 2009.

We have analyzed the data collected over the past thirty years, have selected prospective sites, arranged a drilling contractor, arranged interim funding and are aggressively pursuing additional funding to drill wells on these sites as well as continue to expand the seismic and other technical knowledge on this license area.

Great South Land Minerals Limited is totally committed to an expansive and aggressive exploration program throughout Special Exploration License 13/98. Prior to this time, it has been difficult to undertake a petroleum drilling program in Tasmania due to a general shortage of petroleum drill-rigs in Australia. We intend to drill numerous suitable targets defined on our 2001, 2006 and 2007 seismic programs. However, given the large number of reports for each drill hole and the general regularity environment, it takes much longer to obtain permission to drill a hole than to actually drill the hole.

Going Concern

The Company is in the development stage, devoting substantially all of its efforts to exploration and raising finance. The Company has substantially funded its operations with proceeds from borrowings and equity. In the course of its exploration activities, the Company has incurred substantial operating losses and expects such losses to continue for the foreseeable future. The company will finance its operations primarily through cash and cash equivalents on hand, borrowings, future financing from the issuance of equity through its holding company "Empire Energy Corporation International" and through the generation of revenues once commercial operations get underway. However, the Company has yet to generate any significant revenues and has no assurance of future revenues. To management's knowledge, no company has yet successfully developed sub-surface hydrocarbons in commercial quantities in Tasmania. Even if development efforts are successful, substantial time may pass before revenues are realised.

Therefore, significant uncertainties exist in relation to conditions that cast doubt upon the Company's ability to continue as a going concern. These are:

Operations

The Company's key mineral exploration licence (SEL 13/98) expired on 30th September 2009 and a continuing Exploration Licence has yet to be issued.

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Going Concern - Continued

Financial

- (a) The Company has incurred substantial losses in order to support the ongoing exploration expenditure during the period since the inception of the Company.
- (b) There are uncertainties in terms of the Company's ability to generate cash flows in the future considering that the production operations have not yet commenced.
- (c) During the year ended 31 December 2008, the company has recorded a loss of \$9,162,713. As at 31 December 2008 the company's net asset position is a deficiency of \$22,518,206.
- (d) There may be extensive commitments for expenditure as part of a renewed mineral exploration license.
- (e) As at 16 April 2010, the Empire Energy Corporation International's (Parent Entity) rights issue is not as yet fully subscribed. The number of shares subscribed as at the date of this report is 17,406,849 to an amount of US \$1,218,479.
- (f) As of the date of this report, there are number of creditors who had issued statutory demands against Great South Land Minerals Limited claiming a debt of approximately \$2.2M.

Therefore, the Company's future operations are dependent on the renewal of the exploration license (EL 14/2009) and its ability to raise funds in order to pay for the existing creditors, expenditure commitments that may arise if the exploration license is renewed and to support its day to day business working capital requirements.

Great South Land Minerals Limited and its parent, Empire Energy Corporation International have initiated the following activities to address going concern issue, including but not limited to the following:

Operations

Further to the expiry of SEL13/98; Great South Land Minerals Limited lodged a new Exploration License application (EL14/2009) with Mineral Resources Tasmania on 29th September 2009 for an area of 7,513km² (this application was sought from 1 October 2009 for a 5 year term) and covers the significant, identified, prospective areas contained within SEL13/98.

EL14/2009 has not yet been formally awarded by the Minister for Energy and Resources as at the date of this report. However, on 17 March 2010, the Director of Mines publically advertised his recommendation for the issuance of EL 14/2009 with a reduced area of 3,180km² which includes both major seismically defined domes – Bellevue and Thunderbolt. There is a 28 day objection period from the date of such advertisement. This statutory advertising period completed on the 12th April 2010. During this period, objections were received by the Department of Mines and they are arranging for the mediation sessions between Great South Land Minerals Limited and those parties who have objected to see if a compromise can be found to the grounds for their objections.

Further, Great South Land Minerals Limited believes that it has a right to the award of the 7,513 km² EL14/2009 for the continuation of its work program over the next 5 years. Should Mineral Resources Tasmania issue a smaller EL than that was originally applied for and/or excludes any of the Company seismically defined structures, Great South Land Minerals Limited with its parent entity, Empire Energy Corporation International are prepared to take legal action to recover the excluded licensed area and/or obtain financial compensation for exclusion of prospective, seismically defined structures.

Financial

(a) Great South Land Minerals Limited entered into a Convertible Note Agreement dated 27 January 2009 with a former director for a value of AUD 400,000;

(b) On the 22nd November 2008 the Board of Empire Energy International Corporation of Leawood, Kansas, USA of which Great South Land Minerals Ltd is a wholly owned subsidiary, decided to proceed with shareholder rights offering. The intention was to use the proceeds from sale of the shares to extend exploration and development program, to reduce debt, provide for working capital and for general corporate purposes. 133,607,712 shares are on offer at a price of 7 cents US per share. If fully subscribed, this would enable Empire Energy Corporation International to raise US \$9,352,540 (equivalent to AUD \$10,171,800 as at 20 April 2010). All shareholders of Empire Energy International Corporation at the record date of December 18th 2008 are eligible to buy shares under this offer. Mr. Malcolm Bendall CEO of Empire Energy Corporation International and Great South Land Minerals Limited has indicated that he intends to oversubscribe to this Rights Offering and acquire any and all shares not subscribed by other Rights holders to complete the over subscription privilege and as such is deemed to be a statutory "underwriter" as defined under Section 2(a)(11) of the US Securities Act of 1933. As at 16 April 2010, the number of right shares subscribed is 17,406,849 which amount to US \$1,218,479 (equivalent to AUD \$1,325,220 as at 20 April 2010).

(c) Empire Energy Corporation International and Great South Land Minerals Limited entered into negotiations to arrange financing for the continued exploration and development of the licensed property, including drilling of wells on evaluated and selected sites.

(d) In relation to statutory demands issued by a number of creditors, Great South Land Minerals Limited have entered into a payment arrangement with them and are not aware of any further legal action being initiated by the creditors in respect to the outstanding debt that could lead to the operations of the company being wound up.

As a result of the above, the Directors are of the opinion that it is appropriate for the financial report to be prepared on a going concern basis.

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Dividends Paid or Recommended

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

Significant Changes in State of Affairs

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

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or auditor of the company.

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.

Information on Directors

Mr Malcolm Bendall, Chairman

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.

Dr Clive F Burrett

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.

Mr Graham Rogers

Graham Rogers, B.Ec., M.Sc., CPA, PNA, MAICD, PIA, SA Fin, of Hobart Tasmania, currently directs and oversees all legal, commercial and financial activities with a primary focus on managing capital for GSLM exploration activities at GSLM. He joined GSLM in December 2006, bringing over 30 years experience in the strategic financial analysis and management in the resources and energy sector, including 18 years engaged in tertiary education in Accounting, Banking & Finance at 4 Australian universities. Mr Rogers designed a National Securitization program for renewable energy; was a Director of ZCo2e, the distributed renewable energy company of the Central Victorian Greenhouse Alliance; served as Australian lead manager for the Australian Banking System involvement in the North West Shelf Domestic Gas Phase 1 project; member of the lead bank group of the Cooper Basin Oil & Gas project; was part of the managed project finance, corporate finance and investment banking teams at Australian Resources Development Bank Limited and Hambros Australia Limited.

Mr Phil Simpson

Phil Simpson has been Executive Director of the company's subsidiary Great South Land Minerals (GSLM). He brings expertise in corporate finance and logistics. He acts as a liaison between the local landowners and GSLM. Mr Simpson has 30 years experience in fisheries and agribusiness management and is a consultant to leading banks and superannuation funds. He is also a member in good standing of The Australian Institute of Company Directors (AICD).

Mr John Garrison

John Garrison has been a director of Empire Energy since April 1999. Mr. Garrison is a certified public accountant with over twenty-five years of experience in accounting, auditing and financial management. He served as corporate secretary, director and chief accounting officer of Infinity, Inc., a publicly traded oilfield service and oil and gas exploration and development company from April 1995 to August 1999. He is presently a director of Quest Resource Corporation, a publicly traded energy company.

Mr S.A (Al) Sehsuvaroglu

Mr. Sehsuvaroglu became President and Chief Executive Officer of Empire Energy Corporation International on August 15, 2007 and was elected to Director of the Board of Empire on August 22, 2007. Mr. Sehsuvaroglu has over 29 years experience in the oil and gas industry. He has served as President and Chief Executive Officer of Big Sky Energy Corporation from Jan 2005 to Jan 2007 and as the Vice-Chairman of the Kazakhstan Petroleum Association from 2003 to 2007, dealing with national oil & gas production issues and providing consultancy to Legislative Bodies during preparation of energy related laws. He was one of the founding members and Director of the Board of Kazakhstan-Canadian Business Association.

Mr Tad Ballantyne

Tad Ballantyne was appointed as a director of Great South Land Minerals Limited in 20 March 2008. He has served as President of Pacific Rim since March 2006 and as CEO of Hoopston Foods, Inc. since March 2004. Mr Ballantyne is a director and chairman of the audit committee of Life Partners Holdings, Inc.

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After Balance Date Events

Exploration Licence

By its terms, Special Exploration Licence (SEL) 13/98 expired on September 30, 2009. The Company, Great South Land Minerals Ltd, lodged an application for an Exploration Licence (EL) on 30 September 2009 for an area of 7,513km² (this application was sought from 1 October 2009 for a 5 year term) and covers the significant, identified, prospective areas contained within SEL13/98. This application was given a reference EL14/2009 and is a 25% reduction in area from the original SEL13/98 tenement first granted in 1999.

EL14/2009 has not yet been formally awarded by the Minister for Energy and Resources as at 20 April 2010. However, on 17 March 2010, the Director of Mines publically advertised his recommendation for the issuance of Exploration Licence 14/2009 (with a reduced area, however, including both of our major seismically defined domes – Bellevue and Thunderbolt).

Deed of Release

A deed of release and indemnity was signed on the 24 January 09 between Philip Simpson and Great South Land Minerals Limited and Empire Energy Corporation International (Parent Entity). The release details that Philip Simpson will accept 2,500,000 fully paid up ordinary Empire Energy Corporation International's shares in exchange for release of the company and its parent entity of all outstanding claims, and the resignation of Philip Simpson as a director.

As at 31 December 2008, Philip Simpson (via Terralinn Pty Ltd) was owed approximately \$2,325,632 in interest and principal. With the execution of the above agreements these amounts have effectively been settled.

Statutory Demands

Subsequent to the balance sheet date, several statutory demands were issued to the company by a number of creditors. Where possible, Great South Land Minerals Limited have entered into a payment arrangement with them and are not aware of any further legal action being initiated by the creditors in respect to the outstanding debt that could lead to the operations of the company being wound up.

Proceeds from Rights Issue

Subsequent to the shareholder rights offerings by Empire Energy Corporation International (Parent Entity), the number of right shares subscribed as at 16 April 2010 is 17,406,849 which amounts to US \$1,218,479 (equivalent to AUD \$1,325,220 as at 20 April 2010).

Stand By Costs

Great South Land Minerals Limited have incurred significant standby charges subsequent to year end at a rate over \$18,000 per day until the end of June 2009.

Future Developments

Exploration Activity

Notwithstanding the fact that Great South Land Minerals Limited maintains it has exceeded its expenditure obligations to meet the license conditions, Empire Energy Corporation International is pursuing an aggressive drilling and seismic program with the intention of discovering oil and gas.

The 14 well drilling program is estimated to cost a total of \$30 million. Mud and wire logging is estimated to cost \$5.5 million and processing and interpretation and related costs are estimated at \$1 million.

Environmental Issues

The Company's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Tasmania. The company has provided an environmental bond to MRT. 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.

Great South Land Minerals operations are under the operational jurisdiction of Mineral Resources Tasmania, a state government body designated to govern mining and resource development within the State of Tasmania, Australia. Various pieces of legislation govern administration of natural resources businesses such as Great South Land Minerals, including The Mineral Resources Development Act, 1995, which provides for the development of mineral resources consistent with sound economic and environmental land use under Australian law.

Environmental controls are imposed within the provisions of the Environmental Management and Pollution Control Act 1994 which has, as its fundamental basis, the prevention, reduction and remediation of environmental harm, including environmental nuisance and its adverse effect on the environment. Permits are issued in accordance with Land Use Planning and Approvals Act 1993 in respect of proposed use or development affecting the leased land. Great South Land has a guarantee and bond in the amount of AUD 75,000. This took the form of a guarantee by two former directors. In March 2007, this was converted into a fixed deposit with National Australia Bank and the former directors were released from their guarantees.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



Director
Mr John Garisson

Dated this ____30____ day of ____April____, 2010

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Auditor's Independence Declaration

Auditor's Independence Declaration under Section 307c of the Corporations Act 2001, to the Directors of Great South Land Minerals Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2008, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Mark Nicholaeff
Partner



UHY Haines Norton
Chartered Accountants

Signed at Sydney on 30th April 2010

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INCOME STATEMENT
FOR YEAR ENDED 31 December 2008

		2008	2007
Total Revenue	Note 2	15,742	778,018
Occupancy Costs		(62,148)	(108,162)
Administrative Expenses		(416,669)	(443,227)
Consultancy Fees		(44,583)	(68,033)
Depreciation and Amortisation Expenses		(66,985)	(52,483)
Employee Benefits Expense		(1,250,742)	(1,241,172)
Exploration Costs		(6,561,620)	(3,393,141)
Other Expenses		(148,678)	(188,271)
Finance costs	3	<u>(627,029)</u>	<u>(583,937)</u>
Loss Before Income Tax		<u>(9,162,713)</u>	<u>(5,300,408)</u>
Income Tax		<u>-</u>	<u>-</u>
Loss Attributed to Members of the Company		<u>(9,162,713)</u>	<u>(5,300,408)</u>

The accompanying notes form part of these financial statements

GREAT SOUTH LAND MINERALS LIMITED
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BALANCE SHEET
AS AT 31 December 2008

	Note	2008 \$	2007 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	76,292	540,614
Trade and other receivables	8	0	3,810
Other current assets	9	2,765,782	38,660
TOTAL CURRENT ASSETS		<u>2,842,074</u>	<u>583,084</u>
NON-CURRENT ASSETS			
Plant and equipment	10	242,433	303,581
TOTAL NON-CURRENT ASSETS		<u>242,433</u>	<u>303,581</u>
TOTAL ASSETS		<u>3,084,507</u>	<u>886,665</u>
CURRENT LIABILITIES			
Trade and other payables	11	2,634,766	837,917
Borrowings	12	2,324,907	25,177
Provisions	13	25,710	33,047
TOTAL CURRENT LIABILITIES		<u>4,985,383</u>	<u>896,141</u>
NON-CURRENT LIABILITIES			
Trade and other payables	11	241,293	257,172
Long-term borrowings	12	20,376,038	13,088,845
TOTAL NON-CURRENT LIABILITIES		<u>20,617,331</u>	<u>13,346,017</u>
TOTAL LIABILITIES		<u>25,602,714</u>	<u>14,242,158</u>
NET ASSETS		<u>(22,518,206)</u>	<u>(13,355,493)</u>
EQUITY			
Issued capital	14	7,316,711	7,316,711
Accumulated losses		(29,834,917)	(20,672,204)
TOTAL EQUITY		<u>(22,518,206)</u>	<u>(13,355,493)</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 31 December 2008

	Share Capital Ordinary \$	Retained Earnings \$	Total \$
Balance at 1 July 2004	7,316,711	(10,236,594)	(2,919,883)
Loss attributable to members of the company	-	(2,026,183)	(2,026,183)
Balance at 31 December 2005	<u>7,316,711</u>	<u>(12,262,777)</u>	<u>(4,946,066)</u>
Loss attributable to members of the company	-	(3,109,019)	(3,109,019)
Balance at 31 December 2006	<u>7,316,711</u>	<u>(15,371,796)</u>	<u>(8,055,085)</u>
Loss attributable to members of the company	-	(5,300,408)	(5,300,408)
Balance at 31 December 2007	<u>7,316,711</u>	<u>(20,672,204)</u>	<u>(13,355,493)</u>
Loss attributable to members of the company	-	(9,162,713)	(9,162,713)
Balance at 31 December 2008	<u>7,316,711</u>	<u>(29,834,917)</u>	<u>(22,518,206)</u>

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT
FOR YEAR ENDED 31 December 2008

	Note	2008 \$	2007 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Payments to suppliers and employees		(9,387,590)	(3,713,473)
Interest paid		(63,231)	(560,074)
Net cash (used in) operating activities		<u>(9,450,821)</u>	<u>(4,273,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,417)	(632,137)
Sale of property, plant and equipment		-	1,935,402
Interest Received		11,722	20,359
Net cash provided by/(used in) investing activities		<u>8,305</u>	<u>1,323,624</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		8,978,195	2,157,606
Net cash provided by financing activities		<u>8,978,195</u>	<u>2,157,606</u>
Net (decrease)/ increase in cash held		(464,321)	(792,317)
Cash at beginning of year		540,614	1,332,931
Cash at end of year	6	<u>76,292</u>	<u>540,614</u>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 December 2008

Note 1: Statement of Significant Accounting Policies

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

Great South Land Minerals Limited a company limited by shares, incorporated and domiciled in Australia.

The financial report of Great South Land Minerals Limited complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The Financial Report was authorised for issue by the Directors at the date of the Director's report.

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

a) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

b) Going Concern

The Company is in the development stage, devoting substantially all of its efforts to exploration and raising finance. The Company has substantially funded its operations with proceeds from borrowings and equity. In the course of its exploration activities, the Company has incurred substantial operating losses and expects such losses to continue for the foreseeable future. The company will finance its operations primarily through cash and cash equivalents on hand, borrowings, future financing from the issuance of equity through its holding company "Empire Energy Corporation International" and through the generation of revenues once commercial operations get underway. However, the Company has yet to generate any significant revenues and has no assurance of future revenues. To management's knowledge, no company has yet successfully developed sub-surface hydrocarbons in commercial quantities in Tasmania. Even if development efforts are successful, substantial time may pass before revenues are realised.

Therefore, significant uncertainties exist in relation to conditions that cast doubt upon the Company's ability to continue as a going concern. These are:

Operations

The Company's key mineral exploration licence (SEL 13/98) expired on 30th September 2009 and a continuing Exploration Licence has yet to be issued.

Financial

- (a) The Company has incurred substantial losses in order to support the ongoing exploration expenditure during the period since the inception of the Company.
- (b) There are uncertainties in terms of the Company's ability to generate cash flows in the future considering that the production operations have not yet commenced.
- (c) During the year ended 31 December 2008, the company has recorded a loss of \$9,162,713. As at 31 December 2008 the company's net asset position is a deficiency of \$22,518,206.
- (d) There may be extensive commitments for expenditure as part of a renewed mineral exploration license.
- (e) As at 16 April 2010, the Empire Energy Corporation International's (Parent Entity) rights issue is not as yet fully subscribed. The number of shares subscribed as at the date of this report is 17,406,849 to an amount of US \$1,218,479.
- (f) As of the date of this report, there are number of creditors who had issued statutory demands against Great South Land Minerals Limited claiming a debt of approximately \$2.2M.

Therefore, the Company's future operations are dependent on the renewal of the exploration license (EL 14/2009) and its ability to raise funds in order to pay for the existing creditors, expenditure commitments that may arises if the exploration license is renewed and to support its day to day business working capital requirements.

Great South Land Minerals Limited and its parent, Empire Energy Corporation International have initiated the following activities to address going concern issue, including but not limited to the following:

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Accounting Policies - Continued

b) Going Concern - Continued

Operations

Further to the expiry of SEL13/98; Great South Land Minerals Limited lodged a new Exploration License application (EL14/2009) with Mineral Resources Tasmania on 29th September 2009 for an area of 7,513km² (this application was sought from 1 October 2009 for a 5 year term) and covers the significant, identified, prospective areas contained within SEL13/98.

EL14/2009 has not yet been formally awarded by the Minister for Energy and Resources as at the date of this report. However, on 17 March 2010, the Director of Mines publically advertised his recommendation for the issuance of EL 14/2009 with a reduced area of 3,180km² which includes both major seismically defined domes – Bellevue and Thunderbolt. There is a 28 day objection period from the date of such advertisement. This statutory advertising period completed on the 12th April 2010. During this period, objections were received by the Department of Mines and they are arranging for the mediation sessions between Great South Land Minerals Limited and those parties who have objected to see if a compromise can be found to the grounds for their objections.

Further, Great South Land Minerals Limited believes that it has a right to the award of the 7,513 km² EL14/2009 for the continuation of its work program over the next 5 years. Should Mineral Resources Tasmania issue a smaller EL than that was originally applied for and/or excludes any of the Company seismically defined structures, Great South Land Minerals Limited with its parent entity, Empire Energy Corporation International are prepared to take legal action to recover the excluded licensed area and/or obtain financial compensation for exclusion of prospective, seismically defined structures.

Financial

(a) Great South Land Minerals Limited entered into a Convertible Note Agreement dated 27 January 2009 with a former director for a value of AUD 400,000;

(b) On the 22nd November 2008 the Board of Empire Energy International Corporation of Leawood, Kansas, USA of which Great South Land Minerals Ltd is a wholly owned subsidiary, decided to proceed with shareholder rights offering. The intention was to use the proceeds from sale of the shares to extend exploration and development program, to reduce debt, provide for working capital and for general corporate purposes. 133,607,712 shares are on offer at a price of 7 cents US per share. If fully subscribed, this would enable Empire Energy Corporation International to raise US \$9,352,540 (equivalent to AUD \$10,171,800 as at 20 April 2010). All shareholders of Empire Energy International Corporation at the record date of December 18th 2008 are eligible to buy shares under this offer. Mr. Malcolm Bendall CEO of Empire Energy Corporation International and Great South Land Minerals Limited has indicated that he intends to oversubscribe to this Rights Offering and acquire any and all shares not subscribed by other Rights holders to complete the over subscription privilege and as such is deemed to be a statutory "underwriter" as defined under Section 2(a)(11) of the US Securities Act of 1933. As at 16 April 2010, the number of right shares subscribed is 17,406,849 which amount to US \$1,218,479 (equivalent to AUD \$1,325,220 as at 20 April 2010).

(c) Empire Energy Corporation International and Great South Land Minerals Limited entered into negotiations to arrange financing for the continued exploration and development of the licensed property, including drilling of wells on evaluated and selected sites.

(d) In relation to statutory demands issued by a number of creditors, Great South Land Minerals Limited have entered into a payment arrangement with them and are not aware of any further legal action being initiated by the creditors in respect to the outstanding debt that could lead to the operations of the company being wound up.

As a result of the above, the Directors are of the opinion that it is appropriate for the financial report to be prepared on a going concern basis.

c) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Future income tax benefits and liabilities 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.

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Accounting Policies - continued

d) Property, Plant and Equipment

Cost and Valuation

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Plant and equipment not commissioned is carried at cost.

Depreciation

The depreciable amount of all fixed assets, including capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5% - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

f) Exploration and Development Expenditure

Exploration and development expenditure is recognised as an expense when incurred.

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Accounting Policies - Continued

g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

h) Impairment

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

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

i) Foreign Currency Transactions and Balances

Transaction and balances

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

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

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

j) Employee Benefits

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

k) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less

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Accounting Policies - continued

m) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

o) Goods and Services Tax (GST)

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

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

p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

r) Key estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Note 2: Revenue

	2008	2007
	\$	\$
Other Income	-	4,418
Liabilities forgiven	-	757,659
Interest Income	15,742	15,941
Total Revenue	15,742	778,018

Note 3: Loss from Ordinary Activities

Expenses		
Finance costs:		
— related entities	627,029	552,202
— Others	-	31,735
Total finance costs	627,029	583,937
Rental Expense	46,551	82,064
Impairment of plant and equipment	-	-
Bad and doubtful debts:		
— trade receivables	3,811	(40,000)

Note 4: Income Tax Expense

	2008	2007
	\$	\$
a. The components of tax expense comprise:		
Current tax	-	-
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%		
— Entity	(2,748,814)	(1,590,123)
Tax effect of:		
— Non-deductible depreciation and amortisation	-	(1,744)
— Other non-allowable items	(15,919)	(209,538)
— Prior year tax losses not previously brought to account	2,764,733	1,801,405
Income Tax Expense	-	-
Potential future deferred tax asset at 31 December 2008 related to		
exploration expenditure not brought to account is:	(7,776,686)	(5,011,953)

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Note 5: Auditors' Remuneration	2008	2007
	\$	\$
Remuneration of the auditor for:		
— auditing or reviewing the financial report	42,683	65,000
— auditing or reviewing the financial report of related companies	50,000	20,000
	<u>92,683</u>	<u>85,000</u>

Note 6: Cash and Cash Equivalents		
Cash at bank and in hand	1,292	465,614
Environmental bond deposit amount	75,000	75,000
	<u>76,292</u>	<u>540,614</u>

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 equivalents	76,292	540,614
	<u>76,292</u>	<u>540,614</u>

Note 7: Key Management Personnel Compensation

Key Management Personnel	2008			Total
	Fees	Expenses		
	\$	\$	\$	\$
Directors				
	Salary, Fees and Superannuation	Termination Benefits	Non-Monetary Benefits	
Mr Malcolm Bendall	-	-	-	-
Dr Clive Burrett	198,794	-	15,887	214,681
Mr Phillip Simpson	148,000	-	8,214	156,214
Mr Graham Rogers	142,245	76,672	10,130	229,047
Total compensation	<u>489,039</u>	<u>76,672</u>	<u>34,231</u>	<u>599,942</u>

Mr Clive Burrett and Mr Graham Rogers have been provided with a company car.

Note 8: Receivables	2008	2007
	\$	\$
CURRENT		
Trade receivables	3,811	3,810
Provision for impairment of receivables	(3,811)	-
	<u>-</u>	<u>3,810</u>

Note 9: Other Assets		
Accrued Interest	4,020	-
Prepayments	14,842	17,543
Prepayments for Exploration and Assets (a)	2,746,920	21,117
	<u>2,765,782</u>	<u>38,660</u>

(a) Prepayment for exploration and assets consists of

Prepayment to Pectil Engineering	19,763	-
Prepayments for Site Works	2,705,527	-
Licence Fee prepaid	21,630	21,117
Competent Persons Report	-	-
Total Exploration and evaluation prepayment	<u>2,746,920</u>	<u>21,117</u>

Note 10: Plant and Equipment

PLANT AND EQUIPMENT		
Plant and equipment: available for use		
At cost	456,849	451,012
Accumulated depreciation	(183,416)	(116,431)
Accumulated impairment losses	(31,000)	(31,000)
Total Plant & equipment	<u>242,433</u>	<u>303,581</u>

a. Movements in Carrying Amounts	Plant and Equipment	Total
	\$	\$
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year		
Balance at the beginning of year	303,581	303,581
Additions	5,837	5,837
Disposals	-	-
Depreciation expense	(66,985)	(66,985)
Carrying amount at the end of year	<u>242,433</u>	<u>242,433</u>

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Note 11: Payables	2008	2007
	\$	\$
CURRENT		
Unsecured liabilities		
Trade Payables	2,405,951	509,926
Sundry Payables and Accrued Expenses	228,815	327,991
Total Current Payables	<u>2,634,766</u>	<u>837,917</u>
NON CURRENT		
Unsecured Liabilities		
Amounts Payable to Related Parties	241,293	257,172
Total Non-Current Payables	<u>241,293</u>	<u>257,172</u>
Note 12: Borrowings	2008	2007
	\$	\$
CURRENT		
Unsecured Liabilities		
Lease liability	22,058	25,177
Secured Liabilities		
Convertible Note (note b(i))	2,302,849	-
Total Current Borrowings	<u>2,324,907</u>	<u>25,177</u>
NON-CURRENT		
Unsecured Liabilities		
Lease liability	42,278	61,218
Amount payable to holding company(note b(ii))	20,333,760	13,027,627
Total Non-Current Borrowings	<u>20,376,038</u>	<u>13,088,845</u>

b(i) GSLM through its parent entity, Empire Energy Corporation International, entered into a financing agreement with a former Director on a revolving 180 day basis. This borrowing has a convertible note facility attached, whereby the lender may convert the debt plus any accumulated interest payable to shares in Empire Energy Corporation international at USD\$0.15 per share.

b(ii) Amount payable to holding company, Empire Energy Corporation International is interest free. Further, the holding company has agreed not to claim or to undertake any steps, including legal proceedings to recover such debt owed by Great South Land Minerals Limited until 30th June 2011 or until such time when Great South Land Minerals Limited will have funds to repay such debts owed to the holding company.

Note 13: Provisions	Employee	Total
	\$	\$
Opening balance at 1 January 2008	33,047	33,047
Additional provisions raised during year	49,656	49,656
Amounts used	(56,993)	(56,993)
Balance at 31 December 2008	<u>25,710</u>	<u>25,710</u>
Analysis of Total Provisions	2008	2007
	\$	\$
Current	25,710	33,047
Non-current	-	-
	<u>25,710</u>	<u>33,047</u>

A provision has been recognised for employee entitlements relating to annual leave for employees. The measurement and recognition criteria for employee benefits have been included in Note 1.

Note 14: Issued Capital	2008	2007
62,426,782 fully paid ordinary shares (2007: 62,426,782)	7,316,711	7,316,711
	<u>7,316,711</u>	<u>7,316,711</u>
a. Ordinary Shares	Number	Number
At the beginning of reporting year	62,426,782	62,426,782
At reporting date	<u>62,426,782</u>	<u>62,426,782</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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Note 15: Capital and Leasing Commitments		2008	2007
		\$	\$
a. Finance Lease Commitments			
Payable — minimum lease payments			
	— not later than 12 months	22,058	22,058
	— between 12 months and 5	42,278	77,399
Minimum lease payments		64,336	99,457
Less future finance charges		(7,421)	(13,063)
Present value of minimum lease payments		56,915	86,394
b. Operating Lease Commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements.			
Payable — minimum lease payments			
	— not later than 12 months	106,045	96,269
	— between 12 months and 5	425,416	481,343
		531,461	577,612
c. Capital Expenditure Commitments			
Capital expenditure commitments contracted for:			
Plant and equipment purchases		-	0
d. Exploration Expenditure Commitment:			
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 31 December, 2008, these obligations, are as follows:			
		2008	2007
		\$	\$
- September 30, 2008		-	5,224,000
- September 30, 2009		1,448,000	1,448,000
		1,448,000	6,672,000
As of September 30, 2008, Mineral Resources Tasmania acknowledged a cumulative expenditure of \$24,081,333 which exceeds the mandatory target of \$15,752,000, by \$12,329,333.			
e. Drilling Contract			
In December 2007, the Company entered into a drilling contract that initially required a payment of AUD 1.3 million to activate. The company met this commitment. The drilling contract continued through 2008 covering the mobilisation of the rig along with standby costs. These additional costs are primarily attributable to the non fulfillment of funding commitments by a third party. The contract is currently subject to renegotiation.			

Note 16: Contingent Liabilities and Contingent Assets		2008	2007
		\$	\$
Estimates of the potential financial effect of contingent liabilities that may become payable:			
Contingent Liabilities			
Related Party Guarantees Provided by the Parent Entity			
Empire Energy has provided a guarantee to a lending entity on behalf of its associate Great South Land Minerals Limited.			
		2,302,849	1,500,000
Note 17: Cash Flow Information		2008	2007
		\$	\$
a. Reconciliation of Cash Flow from Operations with Profit from Ordinary			
Profit from ordinary activities after income tax		(9,162,713)	(5,300,408)
Non-cash flows in profit from ordinary activities:			
Depreciation		66,985	52,483
Doubtful Debt Impairment		3,811	-
Net Cash Provided by Operating Activities Before Change in Assets and		(9,091,917)	(5,247,925)
Changes in assets and liabilities, net of the effects of purchase and disposal of			(1,407,237)
(Increase)/decrease in trade and term debtors		-	13,633
(Increase)/decrease in other assets		(2,729,540)	(2,422,786)
(Increase)/decrease in exploration and evaluation costs		-	(1,012,147)
(Decrease)/increase in payables		2,377,973	1,009,235
(Decrease)/increase in provisions		(7,337)	31,465
(Decrease)/increase in other liabilities			
Net Cash Provided by Operating Activities		(9,450,821)	(4,253,188)
b. Non-cash Financing and Investing Activities			
Property, plant and equipment:		-	51,489

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Note 18: Related Party Transactions

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

	2008 \$	2007 \$
Transactions with related parties		
a. The parent entity is Empire Energy International and has provided the following loans to Great South Land Minerals.	20,333,760	13,027,627
b. Amount receivable from associated companies	3,810	3,810
c. Rental of Office Accommodation A related company has a lease on office accommodation which GSLM used for its premises until September 2007. A monthly rental of \$5,784.90 was charged by the related company.	-	53,676
d. Guarantees	-	-
e. Salaries to Director's relatives	30,852	21,024
f. There are no loans made by Great South Land Minerals to key management personnel or any related party	-	-

Note 19: Economic Dependence

The continuing seismic and drilling programmes are dependent upon renewal of Licence SEL 13/98 which is controlled by statutory authorities of the State Government of Tasmania. Further, the continuing operation of Great South Land Minerals Limited is dependent on the ability of the holding company to raise funds and to provide financial support to Great South Land Minerals Limited.

Note 20: Financial Instruments

Financial Risk Management

The company's financial instruments consist mainly of cash in banks, accounts receivable and payable, loan from holding company, other borrowings and leases. The main purpose of non-derivative financial instruments is to raise finance for the company operations. The company does not have any derivative instruments as at 31 December 2008.

Financial Risks

The main risks the company is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

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 impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing			
					Within 1 Year		1 to 5 Years	
	2008 %	2007 %	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Financial Assets:								
Cash and Cash equivalents	6.50	5.87	76,292	540,614	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Total Financial Assets			76,292	540,614	-	-	-	-
Financial Liabilities:								
Borrowings								
(a) Loan from Director	40.55	-	-	-	2,302,849	-	-	-
(b) Loan from Parent Entity	-	-	-	-	-	-	20,333,760	13,027,627
Lease Liabilities	8.74	8.74	-	-	22,058	25,176	42,278	61,218
Trade and Other Payables	-	-	-	-	-	-	-	-
Total Financial Liabilities			-	-	2,324,907	25,176	20,376,038	13,088,845

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NOTES TO THE FINANCIAL STATEMENTS
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Note 20: Financial Instruments - Continued

	Non-Interest Bearing		Total	
	2008	2007	2008	2007
	\$	\$	\$	\$
Financial Assets:				
Cash and Cash equivalents	-	-	76,292	540,614
Receivables	-	3,810	-	3,810
Total Financial Assets	-	3,810	76,292	544,424
Financial Liabilities:				
Borrowings				
(a) Loan from Director	-	-	2,302,849	-
(b) Loan from Parent Entity	20,333,760	13,027,627	20,333,760	13,027,627
Lease Liabilities	-	-	64,336	86,394
Trade and Other Payables	2,876,058	1,095,089	2,876,058	1,095,089
Total Financial Liabilities	23,209,818	14,122,716	25,577,003	14,209,110

Note 21: Events Subsequent to Balance Date

Exploration Licence

By its terms, Special Exploration Licence (SEL) 13/98 expired on September 30, 2009. Great South Land Minerals Ltd, lodged an application for an Exploration Licence (EL) on 30 September 2009 for an area of 7,513km² (this application was sought from 1 October 2009 for a 5 year term) and covers the significant, identified, prospective areas contained within SEL13/98. This application was given a reference EL14/2009 and is a 25% reduction in area from the original SEL13/98 tenement first granted in 1999.

EL14/2009 has not yet been formally awarded by the Minister for Energy and Resources as at 20 April 2010. However, on 17 March 2010, the Director of Mines publically advertised his recommendation for the issuance of Exploration Licence 14/2009 (with a reduced area, however, including both of our major seismically defined domes – Bellevue and Thunderbolt).

Deed of Release

A deed of release and indemnity was signed on the 24/01/09 between Philip Simpson and Great South Land Minerals Limited and Empire Energy Corporation International (Parent Entity). The release details that Philip Simpson will accept 2,500,000 fully paid up ordinary Empire Energy Corporation International's shares in exchange for release of the company and its parent entity of all outstanding claims, and the resignation of Philip Simpson as a director.

As at 31 December 2008, Philip Simpson (via Terralinn Pty Ltd) was owed approximately \$2,325,632 in interest and principal. With the execution of the above agreements these amounts have effectively been settled.

Statutory Demands

Subsequent to the balance sheet date, several statutory demands were issued to the company by a number of creditors. Where possible, Great South Land Minerals Limited have entered into a payment arrangement with them and are not aware of any further legal action being initiated by the creditors in respect to the outstanding debt that could lead to the operations of the company being wound up.

Proceeds from Rights Issue

Subsequent to the shareholder rights offerings by Empire Energy Corporation International (Parent Entity), the number of right shares subscribed as at 16 April 2010 is 17,406,849 which amounts to US \$1,218,479 (equivalent to AUD \$1,325,220 as at 20 April 2010).

Stand By Costs

Great South Land Minerals Limited have incurred significant standby charges subsequent to year end at a rate over \$18,000 per day until the end of June 2009.

Note 22: Segment Reporting

Great South Land Minerals Limited operates in one Geographical segment being Australia and one Business segment being exploration activities

Note 23: Company Details

The registered office of the company is:

Great South Land Minerals
Level 3, 65 Murray Street
Hobart Tas 7000

The principal place of business is:

Great South Land Minerals
Level 3, 65 Murray Street
Hobart Tas 7000

DIRECTORS' DECLARATION

The directors of the company declare

- 1 The financial statements and notes, as set out in 8 to 22 are in accordance with the *Corporations Act 2001*:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date.
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director

Mr John Garrison



Dated this 30 day of April 2010

GREAT SOUTH LAND MINERALS LIMITED
ABN 54 068 650 386

Independent Auditor's Report to the Members of Great South Land Minerals Limited

We have audited the accompanying financial report of Great South Land Minerals Limited, which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001 and Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion the financial report of Great South Land Minerals Limited is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 b) in the financial report which indicates that the company had incurred a net loss of \$9,162,713 during the year ended 31 December 2008 and, as of that date, the company's net position is a deficiency of \$22,518,206. Furthermore, there exist uncertainty regarding company's ability to renew its exploration license that expired in September 2009 and its ability to raise funds in order to finance its existing debt, day to day working capital requirement and to meet the expenditure commitments that may arise if the exploration license is renewed. These conditions, along with other matters as set forth in Note 1 b), indicate the existence of material uncertainties which may cast significant doubt about the company's ability to continue as a going concern.



M. D. Nicholaeff
Partner

Signed at Sydney on 30TH April 2010



UHY Haines Norton
Chartered Accountants