



June 11, 2010

The Registrar of Mines
Department of Infrastructure Energy and Resources
Mineral Resources Tasmania
PO BOX 56
ROSNY PARK TAS 7018

Dear Sir/Madam,

**RE: Great South Land Minerals Limited (GSLM) notification of Claim
under Section 129 (1) of the Mineral Resources Development Act (MRD) Act 1995**

This letter outlines Great South Land Minerals Limited submission and cause for claim under Section 129 (1) of the Mineral Resources Development (MRD) Act 1995 in respect of (an) the Area of mineral tenement as granted on 17th May 2010, Exploration License (EL)14/2009 as referred to within Section 128 (a) of the Mineral Resources Development Act 1995.

The following submission sets out the reasons and issues upon which we seek the Directors determination of application of Section 129 of Act in respect of this claim:

CLAIM - Area: Application applied for 7,513km² vs Area granted EL14/2009 3,108 sq Kms

- a) The proposed area recently granted by the Minister of Energy and Resources excludes over 80% of the prospective oil and gas bearing structures that GSLM has discovered over the past 10 years with over \$50 million expended to identify these structures. These structures have been independently verified by RPS Energy and a valuation has been completed by a respected independent accounting firm of \$3.3 billion for all of these structures. It is estimated that the 80% of these structures not included are valued at US\$1.108 billion.
- i) The original area applied for EL14/2009 – 7,513 km² – which represents a 75% reduction of the former initial 5 year period and area of SEL13/1998 - 30,336 km².
- ii) The area applied for under application EL14/2009 – 7,513 km² – represents over a 50% reduction of the former 5 year period and area of SEL13/1998 which was an area comprising 15,035 km².
- iii) The area actually recommended to the Minister to be granted (and subsequently granted) by MRT to GSLM is 3,108 km² – which represents 41% of area actually applied for by GSLM.
- iv) In the Director of Mines letter of 15 February 2010 that MRT proposed to recommend an area which covers only 18% of the seismically and geologically defined Bellevue and Thunderbolt Domes. This would equate to an approximate proposed expenditure for the first two years of ~AUD\$730,000 (based on 10% of the area applied for). Both the Thunderbolt and Bellevue Structures are defined as combined over 4,200 km². GSLM estimate the recommended two parcels put forward by Mineral Resources Tasmania as being representative of an approximate area (or areas) of less than 1,000 km², according to our estimates.

- b) These most prospective areas were excluded without consultation with the company. This could have happened in a short conversation. There was an area granted in the south of our applied for area that had no seismic, limited gravity and no substantial environmental works and no identified structures.

The area where this was not granted and had numerous site studies, extensive negotiation with land owners, plus expensive valuations by RPS Energy of possible contained hydrocarbon resources. Additionally, we did drilling for top hole at Stockwell and site works.

- c) Our work program submitted in the application covers the entire 7,513km². The work program expenditure commitment was not reduced in accordance with area.
- d) Some of the structures in the east maybe more prospective for oil than gas. The Director of Mines reassessed the application twice – inconsistent with his original recommendation and advice to the company (the advertised area was 3,180km², however, the Director of Mines changed his recommendation at the last minute to 3,108km². Further, no discussion was had between Mineral Resources Tasmania and GSLM regarding the rationale or reasoning for the reduction of area, however, several requests were made by GSLM to be supplied with this information.
- e) GSLM claim the company has a right to the entire area based on previous performance over SEL13/98, with \$50 million invested over the past 10 years to identify twelve (12) oil and gas bearing structures.

Refer attachment A: top of page 2: Empire/GSLM letter from Deputy Premier dated 23rd December 1998.

- i) *“At the end of the licence period, the more prospective areas must be converted to exploration licences with appropriate conditions, if continued tenure is required.”*
- f) GSLM claim that our work program as submitted with the original EL14/2009 application sufficiently includes all the area applied for of 7,513km².

Refer attachment B: point -2 Page 5: Empire/GSLM letter to Director of Mines dated 12th March 2010.

- i) *Area of EL14/98 – 7,513 km²*
- g) While this license represents nearly a 50% reduction from GSLM's original 7,513 square kilometer (1,856,502 acres) application. The undiscovered potential resource estimates are a result of Empire's and GSLM's US\$50.71 million (AUD\$56 million) investment over the past 33.3 years. Empire and GSLM believe the remaining area, which encompasses a further 10 (ten) seismically defined prospective resources (*refer: Table 2 of Competent Persons Report – Assets of GSLM, October 2008*), is estimated to contain a further resource potential of 222 million barrels of oil. This has an undiscovered potential commercial resource value of US\$1.108 billion (AUD\$1.23 billion) at the discounted US\$5 per barrel. At current world prices of US\$80 per barrel the undiscovered potential commercial resource would be worth US\$17.74 billion (AUD\$19.73 billion).

We await your further direction and advice in this matter. Please do not hesitate to contact Paul Heath, Operations (03) 6231 3529 should you require further information or clarification on these issues.

Yours sincerely,



For:

Mr Malcolm Bendall
CEO
Empire Energy Corporation International (EEGC)
Great South Land Minerals Limited

561046

DEPUTY PREMIER



Tasmania

23 DEC 1998

Mr Henry Askin
Chairman
Great South Land Minerals Ltd
Level 3, 65 Murray Street
HOBART TAS 7000

Dear Mr Askin

GRANTING OF SPECIAL EXPLORATION LICENCE 13/98

I have been advised by Mineral Resources Tasmania that you have agreed to a number of conditions which are a prerequisite to my granting of an application for a Special Exploration Licence over a large portion of the Tasmania Basin.

These conditions are:

- provision of rentals and bonds within two months of public advertisement of application;
- completion of public float of company within twelve months of issue of licence;
- no transfer of the licence during the term of the licence. This does not exclude creation of joint ventures or farm-ins;
- completion of a minimum of 600 line kilometres of 2D onshore seismic reflection by the end of the second year of the licence;
- completion of direct on-ground exploration, exclusive of administrative costs, at the rate of \$2,000,000 per annum by the end of the second year of the licence;
- review of licence at end of second year with above two points being the minimum requirement;

- 2 -

- the licence shall be issued for five years. At the end of the licence period, the more prospective areas must be converted to exploration licences with appropriate conditions, if continued tenure is required;
- rental to be paid at prescribed rates;
- written acknowledgment by Great South Land Minerals Ltd of these licence conditions.

It is my intention at the appropriate time, subject to due process, to grant the licence for a period of five years.

It is my understanding that the licence will be publicly advertised on Saturday, 9 January 1999.

Yours sincerely



Paul Lennor
Deputy Premier

COPY



Great South Land Minerals Limited ABN 54 068 650 386

12 March 2010

Director of Mines
Mineral Resources Tasmania
PO BOX 56
ROSNY PARK TAS 7018

Attn: Michael Leonard

Dear Sir,

RE: URGENT - Failure to deal with application EL14-2009 (2)

I refer to your letter of 15 February and 26 February 2010 and note your acknowledgement that Empire Energy Corporation International (Empire) is proceeding with its US\$9.3 million rights issue. I also note that you are now reasonably confident that there is every prospect that GSLM will have access to the necessary funds to undertake the drilling of the two wells and work program that GSLM proposed for the first two years.

I reiterate that the requirement of 'financial capacity' was met prior to the expiry of Special Exploration Licence 13/98 (SEL13/98) on 30 September 2009. GSLM carried out an independent valuation by WHK Denison over the 'prospective structures' within SEL13/98, which equated to AUD\$3.3 billion. This report was attached to our EL14/2009 application and was the sole prerequisite required from correspondence forwarded by the Deputy Secretary of DIER on 17 July 2009. GSLM proved up this AUD\$3.3 billion asset from exploration activities. These assets established by GSLM must now be allowed to be exploited by this company.

GSLM should not be required to accept anything less than the full EL14/2009 application area of 7,513 km² because our extensive geological work program encompasses this area in its entirety. The full value of the discovered prospective structures, fully documented, within this area cannot be reduced without substantial losses to our company and its shareholders. A Competent Persons Report by RPS Energy during 2008 (submitted to MRT) shows the geological structures deemed to be prospective. Additionally, GSLM have pre-collared the well at Stockwell.

Background

Disruption of public international fundraising activities, interference with public international financial markets and delays that have caused the removal of the Hunt Rig #3 from Tasmania and which may have an immediate substantial cost to the company; that is an identifiable penalty now.

As a result of MRT's behaviour, I have been required to disrupt Empire's fundraising activities in New York and London by travelling sixty (60) hours to Australia and back to New York, to meet with you, regarding your inaction to your recommendation alternative to grant Great South Land Minerals Ltd (GSLM) only part of the Exploration License 14/2009 application area of 7,153 km². Not only does this do a disservice to the Company and its shareholders, but being forced into a direct disagreement with you, the Minister and Mineral Resources Tasmania is sure to provoke an unwelcome reaction by shareholders in the Market.

You have been made aware, through direct communication with Howard Spindel of Trump Securities and communications with my office, that completion of the capital raising via the Rights Offer, which has taken over one and a half years and in excess of USD\$1.5 million to complete, has been fully reliant on MRT's statements and representations to recommend, the (EL14/2009 area) in its entirety, advertise and issue GSLM's license immediately after the SEC issued its own 'effectiveness' statement for the Rights Issue. You have failed to follow through on your previous commitment. As a result, we have started and are now statutorily, and in fact, commercially, committed to a USD\$9.3 million capital raising with prospectus documents having already been sent out to our roughly 3,000 shareholders whilst lacking the expected licence. This could be construed as an act of commercial disruption which is damaging to the companies. There is a longstanding, well documented track record of inappropriate and illogical recommendations and actions which have interfered with this project since 1984, when MRT refused to issue a licence to me to explore for oil and gas under the basis that a licence wouldn't be issued for a resource that didn't exist in the Tasmania Basin. A proposition which has since been completely proven to be false.

You can be assured Empire has the personnel, financial capacity, legal expertise, commitment and determination to obtain financial compensation on behalf of Empire's shareholders and the Tasmanian public, in the amount of the Company's current valuation of \$3.3 billion, as assessed by the accountancy firm appointed by the Company, as directed by DIER, and as determined by the Minister's office, and serving as the original sole pre-request for proving 'financial capacity'. I have already spent in excess of 33.3 years of my life and more than AUD\$56 million on proving the existence of the Tasmania Basin and the existence of oil and gas within it.

There is a long, documentable history of antagonism between MRT, specifically, on this project and myself. I still reserve a personal 'right of reply' in Parliament and will not hesitate to inform Cabinet and the Tasmanian public of these issues. From my knowledge, a previous Minister for Resources and Premier, The Hon. Mr Paul Lennon has publicly documented an apology for being mis-informed by MRT on matters relating to GSLM's seismic work program initiated under SEL13/98. In particular, the Hunterston #1 drill hole was drilled to a depth of 1,324 m which had very promising hydrocarbon shows and was followed up by extensive seismic.

As this company is operational and ongoing, the government of the day and the public servants accountable at MRT have a responsibility of dealing with matters such as renewal extensions, or in this instance, a review of a new application to continue smoothly the exploration of drilling for oil and gas discoveries found to date. The government and MRT should have acted promptly in returning the work areas to GSLM in the shortest practical time. As you know, delays in this incidence have cost us money, the best weather conditions (summer) in the Central Highlands of Tasmania. Furthermore, I have recently been advised that the Hunt Energy's Rig #3 has now left Tasmania. This drill rig cost GSLM/Empire AUD\$3 million to mobilise into Tasmania and is proof that the delay by government has cost GSLM another very substantial amount of money. Additionally, we may now have a significant amount of money to bring another rig into the State.

Rights Issue and financial capacity

I was advised that an email from Mr Paul Heath on 17 February 2010 was forwarded to you stating that the Rights Issue is effective. This email contained the relevant links to the Securities Exchange Commission (SEC) and a recent press release by Empire. For the record, the Rights Issue became 'effective' on 12 February 2010 and is posted on the SEC and EDGAR websites.

As I have advised you on many occasions previously, including in my letter of the 15 January 2010 and public Empire press releases, the Empire Rights Issue will provide funding toward the exploration program submitted by GSLM EL14/2009 application over a 5-year period, covering a total area of 7,513 km². This application area is a more than a 75% reduction in size over the original 1st – 5 year term of Special Exploration Licence (SEL) 13/1998 and over a 50% reduction in size for the 2nd – 5 year term for SEL13/98. We are only requesting a further 5-year term of 7,513 km² covering the identified prospective resources we have discovered.

Correspondence between MRT and the company clearly documents your departments changed 'goal posts' regarding the 'financial capacity' requirement to GSLM and Empire, several days after the Rights Issue had become 'effective' and in the public domain. Some may interpret this view as a deliberate and intentional act of commercial disruption, and believe that the company holds sufficient evidence based upon interactions and communications between MRT.

I now note that you require '*GSLM demonstrate(s) that it can meet this requirement [financial capacity] by confirmation that funds are in GSLM's bank account*'. This is now at least the fourth advice received by GSLM and Empire since 17 July 2009, whereby it was originally noted in an email from the Deputy Secretary of DIER, Bob Rutherford, to GSLM's General Manager, that '*to ensure that your financial capacity is clearly presented in relation to the new applications...that you provide supporting independent analysis of your financial capacity for these applications, for instance, a respected Australian accounting firm*' – 17 July 2009.

As stated in my letter to you on 15 January 2010, this request was completed by WHK Denison regarding, financial capacity, for EL14/2009 and this should have been the end of the matter. I have attached all the relevant correspondence relating to this issue as Attachment A.

Furthermore, I note that you have advised GSLM on many occasions that an application for an exploration licence can only be granted if the applicant (GSLM) has, or is likely to have (under Section 14, 4 d of the Mineral Resources Development Act 1995) sufficient funds to undertake the proposed exploration program. GSLM and its parent, Empire, have proven their capacity to fund the AUD\$50 million to date, as expended on SEL13/98. The shareholders are more than willing and capable of injecting a further US\$9.3 million to ensure there is every possibility of realizing and profiting from, their initial investment.

Valuation - AUD\$50 billion (US\$45 billion)

As advised to you at our meeting of 21 December 2009, GSLM has received an independent expert valuation for the Bellevue and Thunderbolt Prospects titled '*Economic Evaluation of the Bellevue and Thunderbolt Prospects in SEL-13/98*'. RPS Energy a global leader in Oil and Gas valuations has completed this independent study focusing on the Expected Monetary Value of Empire's Bellevue and Thunderbolt prospects. The base case EMV (Expected Monetary Value) for Bellevue and Thunderbolt Prospects is a positive USD\$ 50.9 million. The EMV is the sum of the risked NPVs for all outcomes of success and failure. RPS has valued the unrisked NPV10 of the Bellevue Prospect at USD \$2.97 billion and the Thunderbolt Prospect at USD\$0.99 billion. This is very positive for Empire Energy and gives the company added confidence to proceed with drilling. The report was very good news indeed and confirmed the long held view by Empire and GSLM that Bellevue and Thunderbolt are two of at least twelve (12), prime, highly prospective locations representing great opportunities in the search for commercial quantities of oil and gas onshore Tasmania (Attachment B).

As you are aware, a report from WHK Denison (30 September 2009) was attached to our EL14/2009 application. WHK have stated that the RPS Competent Persons Report '*is extremely detailed, including a Regional Overview of the Tasmanian Basin, a Petroleum Systems Analysis, and an SEL13/98 Prospect and Lead Volumetrics and Risk Analysis*. It [The Report] was supervised by David R Guise, the Managing Director – Consulting Australia/S.E Asia. The following table summarises the findings, which were extracted from the Executive Summary of this report:

RPS Energy Findings

Prospect / Lead	Gross Prospective Resources Oil (mmbbls)			Mean Estimate	Risk Factor COS %	Operator
	Low Estimate	Best Estimate	High Estimate			
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

Table 2 - Prospective Resources

Source: RPS Energy

Chance of Success (COS): Chance of probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface.

For example, based on the low estimate of 100,405,000 barrels at \$70 per barrel, this would result in \$7,028,350,000 (\$7.02835 billion) in oil in the prospect areas. This value is also mentioned in a Beacon Equity Research Analysis completed on the 29 October 2008.

We [WHK] spoke to Mr David Guise in an attempt to gain indicative value of the barrels. He [Mr Guise] advised that approximately \$5 per barrel was a figure from a recent transaction. Based on this, the value would be:

Low Estimate	\$502,025,000 (502.025 million)
Mean Estimate	\$3,343,900,000 (3.3439 billion)

The above table contains the entire previously known prospective resources within EL14/2009 and could represent potential revenue of AUD\$50 billion (US\$45 billion) contained within structures discovered by GSLM's 1,149 km of seismic work based on gravity and magnetic surveys and stratigraphic wells.

The potential Tasmanian State royalties based on this revenue would be in excess of AUD\$5 billion (US\$4.8 billion).

Issues: Current recommendation proposed by Director of Mines

1. *Withdrawal of SEL13/2009 application and agreement by Director of Mines to consider application EL14/2009.*

It was made clear in a meeting between GSLM and MRT (21 December 2009) that the USD\$9.3 million raised via the Rights Issue was by no means viewed by your department as sufficient capital needed for both applications despite the fact that Empire and GSLM have spent in excess of AUD\$50 million over the past 10 years doubling GSLM's SEL13/98 licence commitment. Further, it was agreed at the meeting (21 December 2009) that if GSLM /Empire were to nominate one of the two applications to

surrender, then the USD\$9.3 million from the rights Issue would be sufficient to fund one of its two submitted licence applications.

Furthermore, in a letter of 15 January 2010 addressed to MRT and based on the advice received from the department, I recommended and agreed to temporarily withdraw Empire's application SEL13/2009 on the basis of our understanding and agreement of the meeting on the 21 December 2009. That is, if Empire /GSLM were to nominate one of its two applications, then MRT confirmed, the proceeds to be derived from USD\$9.3 million Rights Issue will be sufficient to fund one (1) of its two (2) licence applications which was, and is represented by application EL 14/2009. It should be further noted that at this point in time, there was no discussion relating to any agreement to a reduction in area, or the suggestion of two small parcels of land to be issued to allow GSLM & Empire to undertake drilling activities at the Bellevue and Thunderbolt sites. The expenditure put forward in application EL14/2009, has been and is based upon, the required square kilometre rate of 7,513, which covers all prospective sites.

Also, we feel it is relevant to brief you again on the content of the minutes of meeting on the 21 December 2009 @ 3.15pm with MRT representatives; Michael Leonard, Carol Bacon, Matthew Fitzgerald and GSLM representatives Paul Heath, Todd Goebel, Nicole Chesterman and Dean Lisson, documented by GSLM and subsequently reviewed by MRT, as the Departments response of 05th January 2010 refers to those minutes directly.

We attach the following documents in relation to the correspondence exchanged confirming our agreement in this matter:

- a) Attachment C: Final minutes of meeting between Mineral Resources Tasmania and GSLM representatives, 21st December 2009 (reviewed by Michael Leonard) and;
- b) Attachment D: Mineral Resources Tasmania response, Michael Leonard 05th January 2010.
- c) Attachment E: Letter issued by Empire Energy Corporation International acknowledging agreement to 'temporarily withdraw' SEL13/2009 in order to prioritise assessment of EL14/2009.
- d) Attachment F: Mineral Resources Tasmania, letter to GSLM dated 25th January 2010.

2. Area of EL14/98 - 7,513 km²

I have now reviewed the map contained in your letter of 15 February 2010 and subsequently the area emailed to Mr Paul Heath on 2 March 2010 and note that it only fully covers one (1) (Thunderbolt) of GSLM's twelve (12) + (plus) prospective structures (and only partially covers a second prospective structure - Bellevue). This is of a great concern to me, as CEO of Empire and GSLM, especially since over the past 10 years, GSLM and USA parent company Empire have expended in excess of AUD \$50 million (refer to Table 17 of the Final Report, September 2009) 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 your department prior to the granting of SEL13/1998. GSLM will legally contest and believes that, MRT is in violation of its contract condition in a letter of the Deputy Premier during 1998 (Attachment G). That is '*At the end of the licence period [SEL13/98], the more prospective areas must be converted to exploration licences with appropriate conditions, if continued tenure is required.*'

I further include and expand on my concerns in the points below:

- a) AUD \$50 million of capital investment in Tasmania has led to the discovery of at 12-plus previously unknown, very significant-linked, potential prospective petroleum structures within our previous SEL 13/98 tenement, which concluded 30 September 2009. Independent consultant, RPS Energy's, undiscovered prospective resource of 668 million barrels, calculated

by using 'probabilistic' methods, could represent potential revenue of AUD\$50 billion (US\$45 billion) contained within structures discovered by GSLM's 1,149km of seismic work based on gravity, magnetic and stratigraphic holes. The potential Tasmanian State royalties based on this revenue would be in excess of AUD\$5 billion (US\$4.8 billion) based on 12% royalty or more.

- b) The most prospective areas GSLM have applied for are contained within the entirety of EL14/2009. The original SEL13/98 was a high risk venture for GSLM that covered in excess of 30,356 km². The new 7,513 km² applied for is a more than a 75% reduction in original size over the 1st – 5 year term of SEL13/1998 and over a 50% reduction in size for the 2nd – 5 year term for SEL13/98. It should be noted that GSLM have only applied for the prospective areas within our application submitted to you on 29 September 2009 (Please refer to Table 2 (Prospective Resources) of Attachment H, *Competent Persons Report – Assets of Great South Land Minerals Limited, Tasmania*).
- c) Exploration drilling program (Stage 1 and Stage 2): 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 acquired during the 2001, 2006 and 2007 surveys. These three seismic surveys are located all throughout the EL14/2009 application area.
- d) Exploration drilling program (Stage 3 - Stage 6): During Stage 3 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. This information will help for advanced 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 EL14/2009.
- e) GSLM's future exploration program is designed to define more potential petroleum targets. The application 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. It was the intention of GSLM to incorporate the use of this new suite of technologies (Esp. STeP – refer to G5 of 'Proposed Drilling Program' for more information) to consolidate the remaining regional exploration over the entire 15,039 square kilometres that comprised SEL13/98 (Refer to 'Terra Insight Services, Inc: Technology Summary' in EL14/2009 application).

- f) 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 and to continue the regional grid over the Tasmania Basin.
- g) Exploration Seismic Program (Stage 2): Stage 2 of GSLM exploration program includes acquisition of 2D seismic using vibroseis, mainly along roads to expand our seismic coverage to the South, South East and East parts of the Tasmania 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 Tasmania Basin.

- h) Again, I refer to [6] of your statement and question in your letter of 22 December 2009 above and refute your assertion where you state that *'there are large areas within the application area for which no work is proposed'*.

GSLM will not be reducing the size of the application area (EL14/2009). This application cannot be reduced as it will restrict our research as past and proposed seismic lines and prospective structures lay across this entire application area as indicated in our exploration plan.

Additionally, please observe the following facts in relation to the proposed area put forward by Mineral Resources Tasmania.

- i) Contains only a part of the Bellevue Structure – which is our most prospective structure!!
- j) Does not contain the pre-collared Stockwell hole (near Perth) included in our work program. This hole has already been pre-collared by GSLM and is ready to be drilled. Dams and roads have also been established.
- k) Does not contain the other prospective structures (other than part of Bellevue and Thunderbolt) GSLM have discovered and had quantified and valued by RPS Energy.
- l) Bellevue and Thunderbolt structures are = 70km x 30km each = 2,100 km sq x 2 = 4,200 km² (refer page iii of Final Report for SEL13/98 Sept 2009).
- m) Area applied for, GSLM: 7,513 km².
- n) MRT are only prepared to grant 10% (3,180 km²) of the original SEL13/98 area (30,356km²).
- o) Expensive environmental and cultural heritage studies have been carried out on most of these structures that we intend to drill (e.g. Stockwell).
- p) Does not include the Hunterston dome. The Hunterston #1 drill hole was drilled to a depth of 1,324 m which had very promising hydrocarbon shows and was followed up by extensive seismic.

3. *Term of Licence - MRT's view that GSLM / Empire only have sufficient financial resources to fund the first two years of exploration EL14/2009 program as evidenced by the application requirements (not full five year period).*

GSLM representatives have discussed the issue of 'is likely' to have sufficient financial resources on several occasions with the Department and are aware of our obligations under Section 14. 4) d. of the Mineral Resources Development Act, 1995.

The Application process only requires submission of cash flow to support the first two (2) years of the five (5) year program, and clearly seeks to confirm the capability of the entity applying for the application to fund the exploration program for the remaining period.

GSLM believes that jointly with its parent entity Empire that they have adequately satisfied the application assessment requirements based on the 7,513 km² area.

We discussed and shared the legal concept of the nature, operation and management of the cash flow of Exploration companies, fund raising instruments and their capacity to raise funds, as all being material to an entity's effective operations. It is widely accepted that they do not necessarily hold significant cash reserves in the normal course of operations; not without a legal fund raising instrument in place. There are significant legal, political and ethical inherent risks with capital raising on the basis of assets not being maintained and controlled by that entity (more particularly, the legal right to those assets). This has been a difficult issue to contend with during the transitional phase from holding the former SEL13/98 to EL14/2009 application status and the Rights Issue becoming effective more recently. Investor confidence is leveraged through certainty, that certainty has been defined by Independent Experts based upon the intellectual property attained via historic exploration within the onshore

Tasmania Basin over the last 32 years. It is evident the company is approaching further development on the basis of scientific probability. The program put forward seeks to assess the quantum of prospective resources contained within what may possibly be, the 12 most sizeable structures identified through the seismic programs to date.

The companies are prepared to contest in Court the application and interpretation of Section 14 4 d) of the MRD Act (as others have done successfully) against EL14/2009 application. Action to the contrary will be perceived as potentially prejudicial to the nature and commercial intent of Empire and GSLM's operations and significant damages will be sought in remedy.

As discussed and also recently communicated with the Minister, Empire Energy and GSLM have allocated proceeds from the USD\$9.3M rights issue to conduct the Bellevue and Thunderbolt drilling programs during the initial 2 year period. In fact, based on the area applied for within EL14/2009, the calculated minimum EL expenditure is as follows: (based on information supplied to GSLM by Mineral Resources Tasmania 28 September 2009);

a) Evidenced at time of Application –

(Initial 2 year period) Program to be funded by Rights Issue proceeds:

	Minimum	Actual Planned
Year 1: 7,513 sq km x \$200 per square kilometre	\$1,502,600	\$3,025,000 (2.01 x)
Year 2: 7,513 sq km x \$300 per square kilometre	<u>\$2,253,900</u>	<u>\$4,525,000</u> (2.01 x)
	\$3,756,500	\$7,550,000 a)

b) Able to demonstrate 'likely financial resources' S. 14) 4 d) MRD Act during EL 3-5 year term:

Year 3: 7,513 sq km x \$500 per square kilometre	\$3,756,500	\$3,765,000
Year 4: 7,513 sq km x \$700 per square kilometre	\$5,259,100	\$5,275,000 -
Year 5: 7,513 sq km x \$1,000 per square kilometre	<u>\$7,513,000</u>	<u>\$7,525,000</u> -
	<u>\$16,528,600</u>	<u>\$16,565,000</u> b)
	\$20,285,100	\$24,115,000 TOTAL

c) Further fundraising will be conducted during year 2 to accommodate the EL program for years 3-5. Empire Energy has the capacity to raise additional capital via a Registration Statement S8 (Registration of Securities for individual placements outside a Prospectus) or choose to issue a formal Prospectus to raise the additional AUD\$16.57M for the period. We further note that the entity's 'ability' and 'capability' can also be, and will be proven, if necessary, in a court of law which in part, would assess the past performance of the companies in raising capital and meeting their licence conditions & financial obligations to undertake exploration programs; also:

- i) Empire has previously demonstrated financial capacity by issuing securities that have been previously registered within an S8 Registration Statement to facilitate the minimum AUD\$20,000,000 expenditure required of former SEL13/98 that was and formed as part of the licence condition requirements during the latter 5 years term of the 10 year term.
- ii) GSLM are prepared to accept a licence condition to be imposed to ensure that EL14/2009 license exploration expenditure commitments are being met; that is, representing 80% of the said commitments (minimum) otherwise revocation of the licence may occur during the term. This has been enacted previously as a Licence condition of SEL13/98 quite successfully.
- iii) The companies (GSLM/Empire) and the shareholders would feel unfairly prejudiced by any decision to reduce the EL14/2009 based on the financial resources needed to undertake the program (over the larger area); and, as the RPS report has indicated that there is a probability of connecting geology within the Central Highlands and Upper

Derwent Valley regions which are also deemed to be prospective by independent consultant RPS Energy. There is currently no equity to adequately protect commercial interests stated within the current drafting of the MRD Act to protect areas of economic interest where intellectual property has been obtained within a prior SEL (13/98 - 15,036 sq km). In excess of 1,149 line kilometers of seismic data has been captured within the area over a period of 9 years at an investment of AUD\$11.5M to define the structures recently assessed within the RPS Report and previous Geological reports forwarded to MRT. GSLM and Empire (along with its shareholders) would not be satisfied in allowing any highly prospective portion of the former SEL13/98 to be made available to anyone else. However, it seems that MRT's judgment may prejudice the company's chances of attempting to maintain that interest in commercial equity, based on work completed to date.

- iv) GSLM has noted the Director of Mines' response to the company 15 February 2010 advising that cash in the bank is needed as acceptable evidence from item f) Future Fundraising (Application form) in order to recommend that EL14/2009 be issued as a reduced area, the latter which has been recommended by the Director of Mines, Mineral Resources Tasmania and has not been consented by the company. With reference to all previous correspondence exchanged between the Director of Mines and the company, letters of the 14, 15 January 2010 issued by GSLM & Empire, and the Director's acknowledgement of the reference of withdrawal of SEL13/2009 and confirmation that the rights issue proceeds will be sufficient to support the EL14/2009 application. Further emphasis is placed on the response the Director issued to GSLM on 15 February 2010, to quote *'an application for an exploration licence can only be granted if the applicant, in this case GSLM, has or is likely to have, sufficient funds to undertake the proposed exploration program.'*
- v) At the expiry of SEL13/98; GSLM and Empire Energy Corporation International held no exploration entitlements (or legal form assets) to continue exploration activities. From a financial due diligence and fundraising perspective, continuance of tenure is crucial in achieving the maximum benefit from the Rights Issue. The application process also prejudices the transition stage in moving from Special Exploration License status to Exploration status. However, it has been sufficient to note that application status has been maintained throughout this process; however, closing of the Rights Issue is intended to occur 18th March 2010 which does not provide much time. There are some timing issues that Empire needs to consider with the receipt of cash proceeds (to be held in trust as part of the application process of the Rights Issue once subscribed) to that of formal closing to ensure all Rights are subscribed. This in fact, may indicate an April timetable representing the likely timing and formal receipt and release of those cash proceeds (and may be subject to full subscription). Thus consideration to the application of section 14 4) d of the MRD Act and our earlier comments needs to be applied as a question of commercial fairness and in equity.
- vi) We wish to follow a similar process to that which was initiated and agreed with Paul Lennon (Deputy Premier) and GSLM on 23 December 1998 to move forward and therefore make the following recommendations:

Proposal: Recommendations for conditional proposed solution to move forward with application EL14/2009

As a pre-requisite to your granting of an application for EL14/2009, we put forward the following conditions for EL14/2009:

- a) Recommend all of the 7,513 square kilometre area be considered by the Director to be granted by the Minister;
- b) Agree to have the 7,513 square kilometre area Gazetted for the statutory period of 28 days;
- c) Allow for any objections (up to 28 days) and subsequent dealings (additional 28 days) or as determined by the minimum Statutory limitations imposed within the MRD Act, Court of Law or Mineral Resources Tasmania.
- d) Concurrently; GSLM and Empire are to evidence receipt of cash proceeds (in part or whole) of the Rights Issue within a period of 6 months of granting the licence.
- e) The company is to maintain the minimum expenditure requirements of the EL at the end of each reporting period (quarter); significant shortfalls in expenditure (that is, not less than 80% of the required expenditure) will be cause for recommendation to the Minister for revocation;
- f) Failure to meet any of the licence conditions at the end of the two (2) year period may amount to immediate revocation or breach of the licence conditions.
- g) No transfer of the licence during the term.
- h) GSLM require the 5 year tenure.
- i) GSLM and Empire are to acknowledge, in writing, acceptance of these licence conditions.

This list is not exhaustive and you may feel, at your discretion, to recommend other conditions be imposed, that which we may be prepared to accept providing that they do not appear commercially unreasonable given the circumstances.

Conclusion

Further delays with the above requests coupled with MRT 'changing the goal posts' - staggered over several months is causing Empire Energy and GSLM significant commercial damage. Furthermore, these actions have increasingly evolved to embody acts that some might interpret as commercial disruption to the company and its investors through intentional delaying tactics and misrepresentations, for which legal action may become necessary as required by the fiduciary responsibilities Empire/GSLM has with its shareholders. Further, this seems to be a continuation of a personal discrimination against me and any Company I have been involved in. This can be well documented by the current/past actions of MRT against myself who has invested in excess of AUD\$100 million into Tasmania's mining industry including the public listing of two Tasmanian mining project in both the UK (Zeehan Zinc: AIM) and US (Empire:Nasdaq). If proven in court, this may confirm acts of clear discrimination under Section 9 of the State Service Act 2000 (employee Code of Conduct). These actions continue to delay the discovery and subsequent substantial economic rewards to be derived from commercial oil and gas production in Tasmania, firstly in excess of AUD\$5 billion in royalty taxes for the people and government of all of Australia as well as the vested interests represented by Empire's 500 or so Tasmanian investors (and voters) and numerous others that have invested globally.

Empire and GSLM have provided all the necessary information insofar as the application requirements for EL14/2009 are concerned. MRT must now fulfil its obligations and issue GSLM with formal

approval of this application so that the Rights Issue may proceed and the drilling program can commence.

Urgent action is now needed and your immediate response is requested.

Should you require any further information, please do not hesitate to contact Paul Heath or myself on (03) 6231 3529.

Yours Sincerely,



Malcolm Bendall
Great South Land Minerals Ltd and
Empire Energy Corporation International

CC: Minister for Mines

Encl.

List of Attachments:

Attachment A - Email from Deputy Secretary DIER, Meeting between MRT and GSLM on 21 December, 2009, MRT letter dated 22 December, 2009 and request for "temporary" withdrawal" of application SEL 13/2009

Attachment B - Economic Evaluation of the Bellevue and Thunderbolt Prospect in SEL-13/98" RPS Energy

Attachment C - Final Minutes between Mineral Resources Tasmania and GSLM representatives, 21 December 2009 (reviewed by Michael Leonard)

Attachment D - Mineral Resources Tasmania response, Michael Leonard, 5 January 2010

Attachment E - Letter issued by Empire Energy acknowledging agreement to "temporarily withdraw" SEL 13/2009 in order to prioritize assessment of EL 14/200

Attachment F - Mineral Resources Tasmania, letter to GSLM dated 25 January, 2010

Attachment G - Letter of the Deputy Premier, 1998

Attachment H - Competent Persons Report, Assets of Great South Land Minerals Limited, Tasmania, 2008