Due Diligence Addendum

Prepared for Hunter-Wise Companies
by
Empire Energy Corporation International

January 2011

1) EMPIRE/GSLM MANAGEMENT

1a) **Malcolm Bendall - CEO**

- CV – Appendix A
- Directorship Resume – Appendix B
- Tasmanian Business Reporter June 1999 Article – Bass Resources – Appendix C
- The Broken Hill Proprietary Co. Ltd. Reference Letter – Appendix D
- Zeehan Zinc Limited AIM Placing and Admission Document – Appendix E
- Zeehan Zinc Limited Summary of Ore Reserves and Resources – Appendix F

1b) **Dr. Clive Burrett - Chief Geologist**

- CV – Appendix G

1c) **Paul Heath – COO & Executive Geologist**

1d) **Nicole Chestman – Company Secretary**

1e) [redacted]
- CV – Appendix H

1f) [redacted]
- CV – Appendix I

1g) [redacted]
- CV – Appendix J

1h) [redacted]
- CV – Appendix K

1i) [redacted]
- CV – Appendix L

1j) [redacted]
- CV – Appendix M

2) VERIFICATION & VALUATION OF 668 MILLION BARRELS OF UNDISCOVERED POTENTIAL PETROLEUM RESOURCE

2a) The Tasmanites Oil Shale

The Tasmanites Oil Shale is the World Standard for Type 1 Kerogen. It is the richest source rock for oil and gas production in the world. These facts have been independently verified by the following world recognized independent authorities. Each of which has also validated the undiscovered potential petroleum bearing structures Empire/GSLM have discovered.

- Weinman Geoscience, Texas - 2001
- Anderson Schwab, New York – 2001 – Appendix N
- RPS Energy, London – Competent Persons Report – 2008 – Appendix O
- RPS Energy, London – Economic Evaluation of GSLM Petroleum Structures – 2009 – Appendix P
- WHK Denison Accountancy Firm, Australia – Comparative Economic Evaluation of GSLM Petroleum Structures – 2009 – Appendix Q
- Virginia Energy Consultants, Virginia – 2010 – Appendix R

2b) Stratigraphic Drilling Well Program

From 1995 to 2001, the Company completed a seven-hole stratigraphic well program onshore in the Tasmania Basin. The results of the program confirmed a live petroleum system, produced surface oil seeps as well as natural gas and helium.

Borehole	Depth (mKB)	Hydrocarbon Indications	Formation at Total Depth	Age
Gilgal-1	51	Shallow Gas	Abels Bay	Late Permian
Shittim-1	1,751	Methane 31% Ethane 2.12% Traces C3-C8 Helium up to 4.8% Flowed, Flared and Sampled.	Phyllite and Quartzite	Proterozoic
Jericho-1	640	Methane 10% Ethane 1.26% Traces C3-C6 Helium Detected	Bundella Fm	Permian
Lonnavale-1	557	Methane 1.8% Ethane 0.35% Traces C3-C6	Ferntree Fm	Permian
Pelham-1	503	Methane 0.1%	Bundella Fm	Permian
Hunterston-1	Precollar (336) 1,324	Methane 30% and Ethane Traces C3-C6 Helium >1%	Dolomitic Siltstone	Permian And Proterozoic
Bridgewater-1	252	No Sampling Completed	Ferntree Fm	Permian

2c) Duke Energy Pipeline

North Carolina based Duke Energy International, spent 3 years from 1998 to 2001 with 10 petroleum geologists confirming the validity of the Tasmanian Basin petroleum project. After confirming the existence of the basin, Duke Energy spent USD$2.6 Billion constructing a pipeline and gas fired power stations linking Tasmania to the mainland Australia cities of Adelaide, Melbourne, Sydney and Brisbane. It was Duke's projection and Empire's validated belief, that Tasmania could eventually supply 80% of Eastern Australia's natural gas market and 100% of Australia's crude oil demand. All currently producing oil and gas fields in Eastern Australia are today 80% depleted and production rates are in steep decline.

3) DRILLING AND EXPLORATION PROGRAM

- Proposed Exploration Program Year 1-2 – Appendix S
- Drilling Program Bellevue Site – Appendix T

4) USE OF PROCEEDS

Total Capital Raise: $200 million
Initial Tranche: Not less than $25 million

Expense		Estimated
Completion of Bellevue Site		$6,231,000
Completion of Thunderbolt Site		$5,019,000
Mobilization/Demobilization		$1,500,000
GEFCO SpeedStar 1100 Rig & Equipment		$8,000,000
	Sub Total	*$20,250,000*
10% Contingency		$2,025,000
Continued Seismic Program		$1,125,000
Core Office & Analytics		$1,125,000
	Grand Total	***$25,000,000***

Remaining Tranches: $175 million

Expense
2 Years of Operations
Drilling Additional Targets
Drilling Additional Production Wells
Ongoing Seismic Program
Acceleration of Production
Refinery Construction
Establishment of Physical Distribution Chain
Strategic Acquisitions

APPENDIX A

Malcolm Bendall (CEO)

CV

APPENDIX B

Malcolm Bendall (CEO)

Directorship Resume

APPENDIX C

Malcolm Bendall (CEO)

Tasmanian Business Reporter
June 1999 Article
Bass Resources

APPENDIX E

Malcolm Bendall (CEO)

Zeehan Zinc Limited
AIM Placing and Admission Document

ZEEHAN ZINC LIMITED

Placing and Admission to trading on AIM

Libertas Capital

Nominated Adviser & Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you should consult your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (the "FSMA") who specialises in advising on the acquisition of shares and other securities. This document is an admission document drawn up in accordance with the AIM Rules and does not constitute a prospectus for the purposes of section 85(1) of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the Financial Services Authority. This document has been prepared in connection with the proposed application for admission of the Ordinary Shares to trading on AIM, a market of the London Stock Exchange.

The Company and each of the Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including collective and individual responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM Company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange plc has not itself examined or approved the contents of this document. The Ordinary Shares are not traded on any other recognised investment exchange and save for the application for admission to AIM, no such applications have been made or will be made. It is expected that admission to AIM will become effective and that dealings in the Ordinary Shares will commence on AIM on or around 6 March 2007.

The whole text of this document should be read and in particular your attention is drawn to the Risk Factors set out in Part II of this document and all statements regarding the Company's business should be viewed in light of these Risk Factors.

Zeehan Zinc Limited

(Incorporated in Australia with Registered No. ACN 089 093 943)

Placing of 46,153,846 new Ordinary Shares at 19.5 pence per share
Admission to trading on AIM

Nominated Adviser and Broker

Libertas Capital Corporate Finance Limited and Libertas Capital Securities Limited (collectively "Libertas Capital"), each of which is regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange, are acting as Nominated Adviser and Broker, respectively, for the Company and for no one else in connection with the Admission and Placing and will not be responsible to any person other than the Company for providing the protections afforded to their respective clients or for providing any advice in relation to the Admission or the Placing. Libertas Capital Corporate Finance Limited's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director, shareholders or to any other person. No representation or warranty, express or implied, is made by Libertas Capital as to any of the contents of this document, for which the Company and the Directors are solely responsible. Libertas Capital has not authorised the contents of, or any part of, this document and, without limiting the statutory rights of any person to whom this document is issued, no liability whatsoever is accepted by Libertas Capital for the accuracy of any information or opinions contained in this document or for any omissions of any material information. The information contained in this document has been prepared solely for the purposes of the Admission and Placing and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them.

The Placing is conditional, *inter alia*, on Admission taking place on or before 8:00 a.m. on 6 March 2007 (or such later date as the Company and Libertas Capital may agree). The Placing Shares will be entitled after their issue to participate in all dividends or other distributions thereafter declared, made or paid in the capital of the Company and will rank *pari passu* in all other respects with the Existing Ordinary Shares in issue on Admission.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold in or into or from within the United States, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national resident or citizen of Australia, Canada, Japan or Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer, to subscribe or buy any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge to the public at the offices of McCarthy Tétrault, 5 Old Bailey, London, EC4M 7BA, United Kingdom for a period of one month from the date of Admission.

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Michael William Roberts *(Chairman)*
Malcolm Roy Bendall *(Deputy Chairman)*
John Aubrey Pollard *(Chief Executive Officer)*
Stuart George Lloyd *(Chief Financial Officer)*
Clive Francis Burrett *(Non-Executive Director)*
Stephen Michael Powell *(Non-Executive Director)*
Keith William Laing *(Non-Executive Director)*
Frank Lewis *(Non-Executive Director)*

all of:

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Australia

Company Secretary

Nicole Chesterman

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Victoria 3067
Australia

DEFINITIONS

The following definitions apply throughout this document, unless the context applies otherwise:

"A&S"	Anderson & Schwab Australia Limited
"ACN"	Australian Company Number
"Act" or "Corporations Act"	the Corporations Act 2001 (Cth) (as amended), an act of the Commonwealth of Australia
"Admission"	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"Ag"	silver
"AGAAP"	Australian Generally Accepted Accounting Principles
"AIFRS"	Australian Equivalents to International Financial Reporting Standards
"AIM"	AIM, the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules for companies whose securities are traded on AIM and their nominated advisers, published by the London Stock Exchange
"Australian dollar", "A$" or "$"	the legal currency of the Commonwealth of Australia
"ASIC"	Australian Securities & Investments Commission, the regulatory body responsible for, among other things, administration and enforcement of the Corporations Act
"ATO"	Australian Tax Office
"Au"	gold
"Board" or "Directors"	together, the directors of the Company whose names are set out on page 3 of this document
"Combined Code"	The Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council, as amended June 2006
"Company" or "Zeehan Zinc" or "Group"	Zeehan Zinc Limited, incorporated and registered in Tasmania, Australia with ACN 089 093 943, and, where the context requires, its subsidiaries
"Computershare"	Computershare Investor Services Plc
"Constitution"	the constitution of the Company adopted on 6 October 2006
"CREST"	the electronic, paperless transfer and settlement mechanism to facilitate the transfer of title to shares in uncertificated form, operated by CRESTCo
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (as amended) including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force
"Cu"	copper
"Cyber"	Cyber Finance Group Limited, a wholly-owned subsidiary of Empire Energy
"Depositary"	Computershare acting in its capacity as depositary pursuant to the terms of the Depositary Agreement
"Depositary Agreement"	the agreement for depositary services to be provided to the Company by Computershare, as described in paragraph 13 of Part V of this document
"DI" or "Depositary Interest"	a depositary interest issued by the Depositary each representing one ordinary share in uncertificated form
"DPEMP"	Development Plan and Environmental Management Plan
"DTAE"	Department of Tourism, Arts and Environment (of Tasmania) (the Environment division which was part of the Department of Primary Industry, Water and Environment prior to 5 April 2006)

"Empire Energy"	Empire Energy Corporation International
"Enlarged Share Capital"	the Ordinary Shares in issue immediately following the Admission
"Environmental Bond"	a guarantee required by MRT to be deposited as security for the Company's obligations for any environmental rehabilitation following termination of the mining of a particular tenement
"Existing Ordinary Shares"	the 69,303,507 Ordinary Shares in issue at the date of this document
"Exploration Licence" or "EL" or "Licence"	an exploration licence granted under the MRD Act, which provides the holder with the ability to undertake exploration of minerals in Tasmania
"Fe"	iron
"FSA"	the Financial Services Authority of the United Kingdom
"FSMA"	the Financial Services and Markets Act 2000, of the United Kingdom (as amended)
"GST"	a goods and services tax levied pursuant to the GST Act, being A New Tax System (Goods and Services Tax) Act 1999 (Cth) of Australia (as amended)
"ha"	hectare(s) (1 hectare equals 0.01 km^2)
"JORC"	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (2004)
"km"	kilometre(s)
"km^2"	square kilometre(s) (1 km^2 equals 100 ha)
"kv"	kilovolts
"Libertas Capital"	Libertas Capital Corporate Finance Limited and/or Libertas Capital Securities Limited, as the context requires
"London Stock Exchange"	London Stock Exchange plc
"m oz."	million ounces
"Mining Lease" or "ML"	mining lease granted pursuant to the MRD Act. An ML provides the holder with the right to mine for minerals (as defined by the lease)
"MRD Act"	Mineral Resources Development Act 1995 (Tas) (as amended), the Tasmanian law under which the mining industry in the State of Tasmania is controlled and regulated
"MRT"	Mineral Resources Tasmania, a division of the Department of Infrastructure, Energy and Resources (of the state government of Tasmania)
"mt"	million tonnes
"Ni"	nickel
"Note"	the convertible unsecured loan note issued by the Company to Wind City Inc., and subsequently assigned to Europe Wind III B.V., convertible automatically at Admission into Ordinary Shares, further details of which are set out in paragraph 2.3 of Part V of this document
"Oceania Tasmania"	Oceania Tasmania Pty Ltd ACN 009 524 047, a wholly owned subsidiary of Zeehan Zinc
"Ordinary Shares" or "Shares"	ordinary shares in the capital of the Company
"Pb"	lead
"Permit"	a permit issued by the local council (West Coast Council), after consideration of planning and environmental issues, allowing a company to develop and mine a specified quantity of ore
"Placing"	the conditional placing by Libertas Capital of the Placing Shares on the terms of the Placing Agreement

"Placing Agreement"	the conditional agreement dated 27 February 2007 between the Company, the Directors and Libertas Capital, a summary of the terms of which are set out in paragraph 10.2 of Part V of this document
"Placing Price"	19.5 pence per Placing Share
"Placing Shares"	the 46,153,846 new Ordinary Shares which are the subject of the Placing
"QCA Guidelines"	the corporate governance guidelines for AIM companies published by the Quoted Company Alliance
"Registry Agreement"	the agreement for registry services to be provided by Computershare as described in paragraph 13 of Part V of this document
"Retention Licence"	a retention licence granted pursuant to the MRD Act, which allows the discoverer of a resource which is not yet economic or otherwise possible to develop now, to retain its interest pending a change in the circumstances
"Share Option Plan"	the 2006 Share Option Plan Rules established by the Company, further details of which are set out in paragraph 4 of Part V of this document
"Shareholders"	the holders of Ordinary Shares
"Sn"	tin
"Sterling" or "£"	the legal currency of the UK
"t"	tonnes
"Takeovers Panel"	the Australian body established by the Austrian Securities and Investment Commissions Act 2001 (Cth) with powers defined in the Corporations Act in relation to takeover bids affecting Australian companies
"tpa"	tonnes per annum
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"US" or "USA"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"US Dollar" or "US$"	the legal currency of the USA
"Zn"	zinc
"ZZ Administration"	Zeehan Zinc Administration Pty Ltd ACN 123 112 372, a wholly-owned subsidiary of Zeehan Zinc
"ZZ Exploration"	ZZ Exploration Pty Ltd ACN 092 488 214, a wholly-owned subsidiary of Zeehan Zinc

GLOSSARY OF TERMS

concentrate	mineral in which the valuable mineral fraction has been separated from the gangue (waste) or worthless material thereby upgrading the product
dumps	accumulations of waste rock around old workings, typically deemed as "uneconomic" by previous miners
flotation plant	plant designed to further separate economic minerals after gravity separation using froth flotation techniques in order to provide a high grade concentrate for smelter-feed
grade	the relative quantity or percentage of mineral or metal content
gravity	short term for the gravitational method of geophysical prospecting, which measures irregularities or variations in gravity attraction produced by differences in the densities of rock formations, locally and/or regionally
gravity plant	plant designed to separate and concentrate economically important minerals from non-economic minerals using gravity and crushing circuits
Indicated Mineral Resource	that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence as defined by JORC
Inferred Mineral Resource	that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locators such as outcrops, trenches, pits, workings and drill holes which may be limited or uncertain quality and reliability
lode	a tabular or sheet-like deposit of valuable mineral between well-defined walls of country rock
Mineral Reserve	proves the technical feasibility and economic viability of a Mineral Resource when all relevant modifying factors have been considered
Mineralisation	a concentration of valuable or potentially valuable minerals within a rock body
Mineral Resource	an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered
Measured Mineral Resource	is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence, where sampling from outcrops, trenches, pits, workings and drill holes are spaced closely enough to confirm geological grade and continuity
open cut	a mine worked at and from the surface
ore	rock which can be mined and processed at a profit under prevailing economic conditions
ore body	a well defined mass of ore
pit	a surface excavation made on, or in search of mineralisation
pre-concentrate	mineral in which the valuable mineral fraction has not been fully separated from the gangue (waste) or worthless material but a product that has undergone preliminary upgrading
Probable Ore Reserves	the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource, including diluting materials and allowances for losses which may occur when the material is mined. Assessment studies such as metallurgical, economic, marketing, legal, environmental, social and governmental factors demonstrate at the time of reporting that extraction could be reasonably justified

Proven Ore Reserves	the economically mineable part of a Measured Mineral Resource and includes diluting materials and allowances for losses which may occur when the material is mined. Assessment studies such as metallurgical, economic, marketing, legal, environmental, social and governmental factors demonstrate at the time of reporting that extraction could be reasonably justified
Reserves	the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves under JORC
Resources	a concentration of material of intrinsic economic interest where there are reasonable prospects for eventual economic extraction. Mineral resources are subdivided in order of increasing geological confidence as Inferred, Indicated and Measured under JORC
tailings	material rejected from a treatment plant after the recoverable valuable minerals have been extracted
tenement	an exploration licence or a mining lease granted or deemed to have been granted under the MRD Act (including pending applications for same)
tenure	the holding or possession of rights to or ownership of Crown-owned minerals for the term specified in any particular tenement

ADMISSION AND PLACING STATISTICS

Placing Price per Ordinary Share	19.5 pence
Number of Existing Ordinary Shares	69,303,507
Number of Placing Shares	46,153,846
Number of Ordinary shares to be issued at Admission on conversion of the Note	14,652,014
Number of Ordinary Shares in issue immediately following the Placing and Admission(1)	131,801,674
Placing Shares as a percentage of the Enlarged Share Capital	35.0 per cent.
Gross proceeds (approximate) of the Placing	£ 9.0 million
Net proceeds (approximate) of the Placing	£ 8.0 million
Market capitalisation (approximate) of the Company at the Placing Price	£ 25.7 million
Outstanding Share options under the Share Option Plan	2,700,000
ISIN	AU0000XINEA1
AIM Symbol	ZZL

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence in Ordinary Shares on AIM	on or around 6 March 2007
CREST accounts credited by	on or around 6 March 2007
Despatch of definitive certificates by	on or around 20 March 2007

All future dates referred to in this document are subject to change at the discretion of the Company and Libertas Capital

EXCHANGE RATE EMPLOYED

For the purposes of this document the following exchange rates between A$ and £Sterling should be assumed unless a specific rate is specified:

Z1:A$ 2.49

(1) Includes Shares issued pursuant to the commission on the Placing and the Note.

PART I

INFORMATION ON THE COMPANY

1. Introduction

Initially incorporated in 1999, Zeehan Zinc is a mining, exploration and development company seeking to mine and process certain zinc, lead and silver deposits in Western Tasmania, Australia. The Directors believe that the Company can be developed into a leading producer in Australia of mined zinc, lead and silver by extracting these minerals through the establishment of (primarily) open pit mining operations to produce metal concentrates. To take advantage of current metal prices, the Company is also considering the processing and sale of pre-concentrates in the near term.

Through two of its wholly-owned subsidiaries, the Company holds five Mining Leases, three Exploration Licences and a Mining Lease application which all together cover a mineralised area of approximately 100 km^2 near the township of Zeehan (approximately 200 km northwest of Hobart) in Western Tasmania.

The mining consultancy company, Anderson & Schwab Australia Limited ("A&S"), has reported under JORC classification Reserves and Resources totalling approximately 6.9 million tonnes of ore, containing, on average, grades of 4.4% zinc, 3.5% lead and 34 grams/tonne of silver within a 393 ha area covered by the Mining Leases and the Mining Lease application held by the Company. In addition, Western Tasmania, including the areas covered by the Company's tenements, is particularly prospective for base metals including zinc, lead, silver, nickel, tin, gold and copper. Therefore, the Directors believe that the Company's resource base will be increased through further exploration initiatives undertaken by the Company.

A&S has completed an independent valuation of the tenements held by the Company (based on current JORC compliant Resource and Reserve data) and, using its own valuation methodology and assumptions, value Zeehan Zinc's Mining Leases and Mining Lease application at between approximately A$149 – A$231 million (approximately £60 – £93 million) and the Company's Exploration Licences at approximately A$24 million (approximately £10 million). Please see Part III (Competent Person's Report) of this document for further information.

The Company is seeking Admission together with a Placing of new Shares to raise approximately £9.0 million (pre-expenses) principally to complete the development of an integrated mining and mill processing operation. In addition, the proceeds will be used for further exploration activities, to satisfy the Environmental Bond to renew three of the Mining Leases held by the Company, for general working capital purposes and towards the repayment of existing debt.

The Directors expect that following Admission the infrastructure and approvals necessary to commence commercial production will be in place, and mining will commence, during 2007. The Company has entered into initial discussions with domestic and international smelters to purchase concentrates (and potentially pre-concentrates) once production commences.

2. Background and history

The mining area of Western Tasmania

Western Tasmania is a mineralised area with a history of mining of extractable base metals, including zinc, lead, silver, nickel, tin, gold and copper. The area surrounding the township of Zeehan is an important historic mining centre in Western Tasmania, a region with a history of mining operations dating back to the 19th century. This area consists of a large number of old mines and the majority of the historic mining involved small, shallow subsurface operations. The discovery of lead and zinc in 1882 led to the first major period of base metal mining in the region and this continued until 1914. A second period of substantial mining activity occurred between 1947 - 1960.

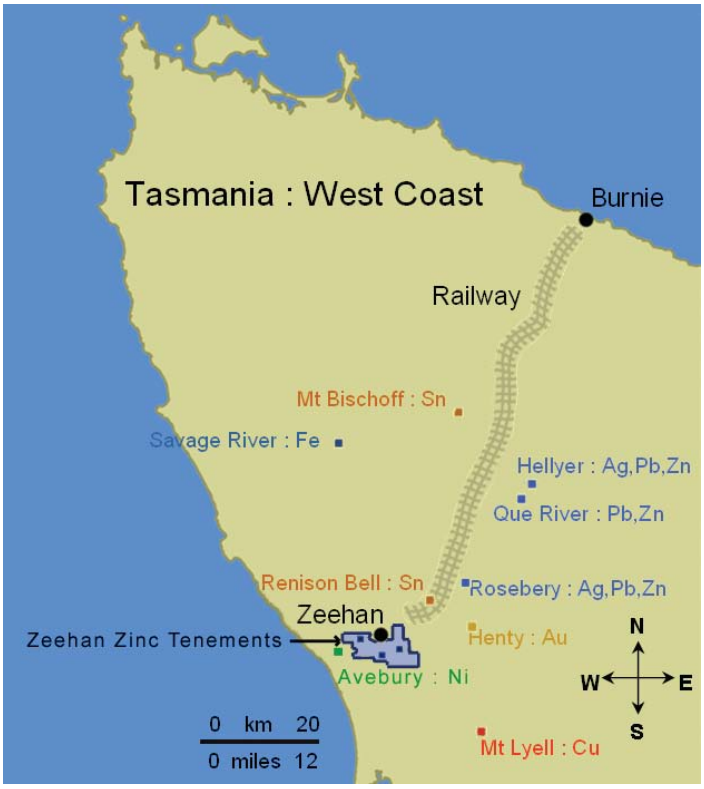
Further exploration activity in the 1990s by Renison Goldfields Consolidated Exploration Pty Ltd ("RGC Exploration") led to the discovery of certain zinc-lead-silver deposits now owned by Zeehan Zinc. However, the Directors believe that these deposits were of little interest to RGC Exploration as it was searching for large tin deposits. More recently, Allegiance Mining NL conducted exploration activities on areas immediately adjacent to the tenements owned by Zeehan Zinc and is currently developing certain nickel deposits (commonly referred to as the Avebury Nickel Mine). The Directors believe that, as a result of the prospective nature of this area, there may be an opportunity to define further Resources of extractable metals within the Company's tenements in addition to those already proven.

Other mining activities in Tasmania

Currently, there are a number of base metal mines in the state of Tasmania. These are Zinifex Limited's (formerly Pasminco Limited) Rosebery lead-zinc-silver-copper-gold mine, approximately 25 km northeast of the township of Zeehan and Vedanta Resources plc's Mt Lyell copper-gold mine at Queenstown, about 25 km southeast of Zeehan.

Figure 1 below provides an overview of some of the principal mines located in Western Tasmania.

Figure 1: Overview of the Western Tasmania mining area



Source: Zeehan Zinc

Zeehan Zinc

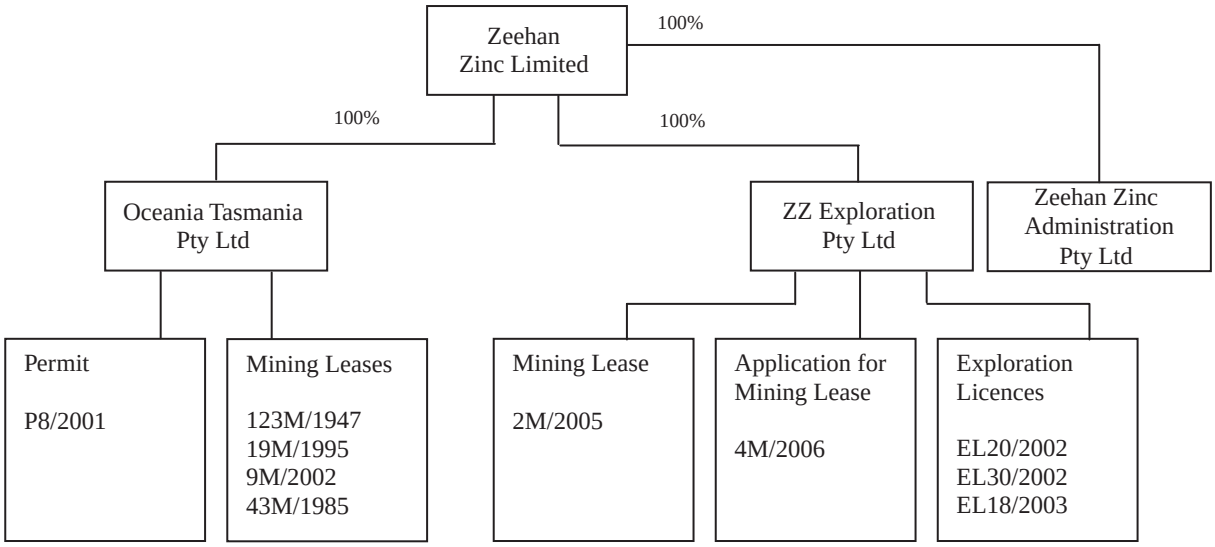
Zeehan Zinc was incorporated in Tasmania, Australia on 13 August 1999 as a proprietary and registered company limited by shares with the name Zeehan Zinc Pty Ltd (ACN 089 093 943). On 5 July 2001, the Company converted to a public company and changed its name to Zeehan Zinc Limited.

The Company acquired the entire issued share capital of Oceania Tasmania and ZZ Exploration from a group of which Malcolm Bendall (now Deputy Chairman of the Company) was a part owner. Mr. Bendall and partners had originally established Oceania Tasmania in 1980 to undertake ore exploration and extraction. Oceania Tasmania currently holds four of the five Mining Leases held by the Group and it is intended that it will primarily undertake the development of the resources, mining and processing of the minerals once production is ready to commence.

ZZ Exploration holds one of the Group's Mining Leases, the Mining Lease application and all of the Exploration Licences and it is intended that it will focus primarily on exploration activities, including the further investigation and discovery of possible resources within the tenements held by the Group. Activity will include geophysical surveys, sample drilling, the commissioning of geological reports and the definition of resources under JORC.

ZZ Administration was incorporated on 13 December 2006 as a wholly owned subsidiary of Zeehan Zinc with the principal purpose of managing the administrative functions of the Group.

The following diagram summarises the corporate structure of the Company as at the date of this document.

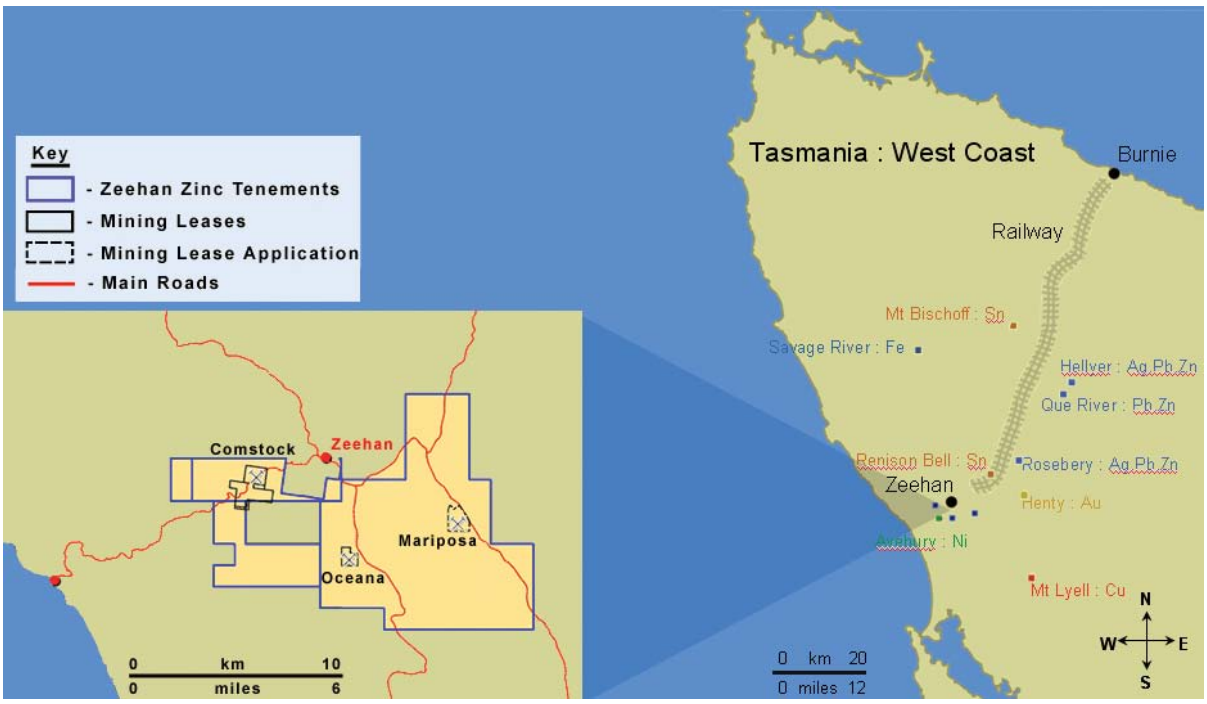


The Permit held by Oceania Tasmania currently enables the Company to extract minerals from ML 123M/1947 at a rate of 200,000 tpa and extends its working boundary into part of ML 19M/1995 and ML 43M/1985.

3. Overview of the Company's operations

Zeehan Zinc, through its subsidiaries ZZ Exploration and Oceania Tasmania, holds five Mining Leases, three Exploration Licences and one Mining Lease application, which cover delineated mineral resources of zinc, lead, and silver. The Company's tenements are within close proximity to one another, prospective and located within a radius of approximately 5 km to the west, south and east of the township of Zeehan. Four of the Mining Leases held by the Company include the ore bodies that are intended to be part of the initial development by the Company and together are commonly referred to as the Comstock Site (located within the Comstock District region west of the township of Zeehan) and cover an area of approximately 247 ha. The Comstock ore body primarily comprises the following JORC deposits: Allison's Lode, Main Lode and Balstrup Fault. The Company also holds a Mining Lease covering a 48 ha area situated south east of Zeehan which is referred to as the Oceana Site.

Figure 2: Overview of Zeehan Zinc tenements



Source: Zeehan Zinc

The Company also holds three Exploration Licences covering approximately 93km^2 that surround all of the Mining Leases held by the Company. Within the areas covered by the Exploration Licences, Zeehan Zinc has also made an application for one further Mining Lease, covering certain other zinc, lead and silver ore bodies which comprise the Mariposa deposit situated south of Zeehan within the area commonly known as the Zeehan Field.

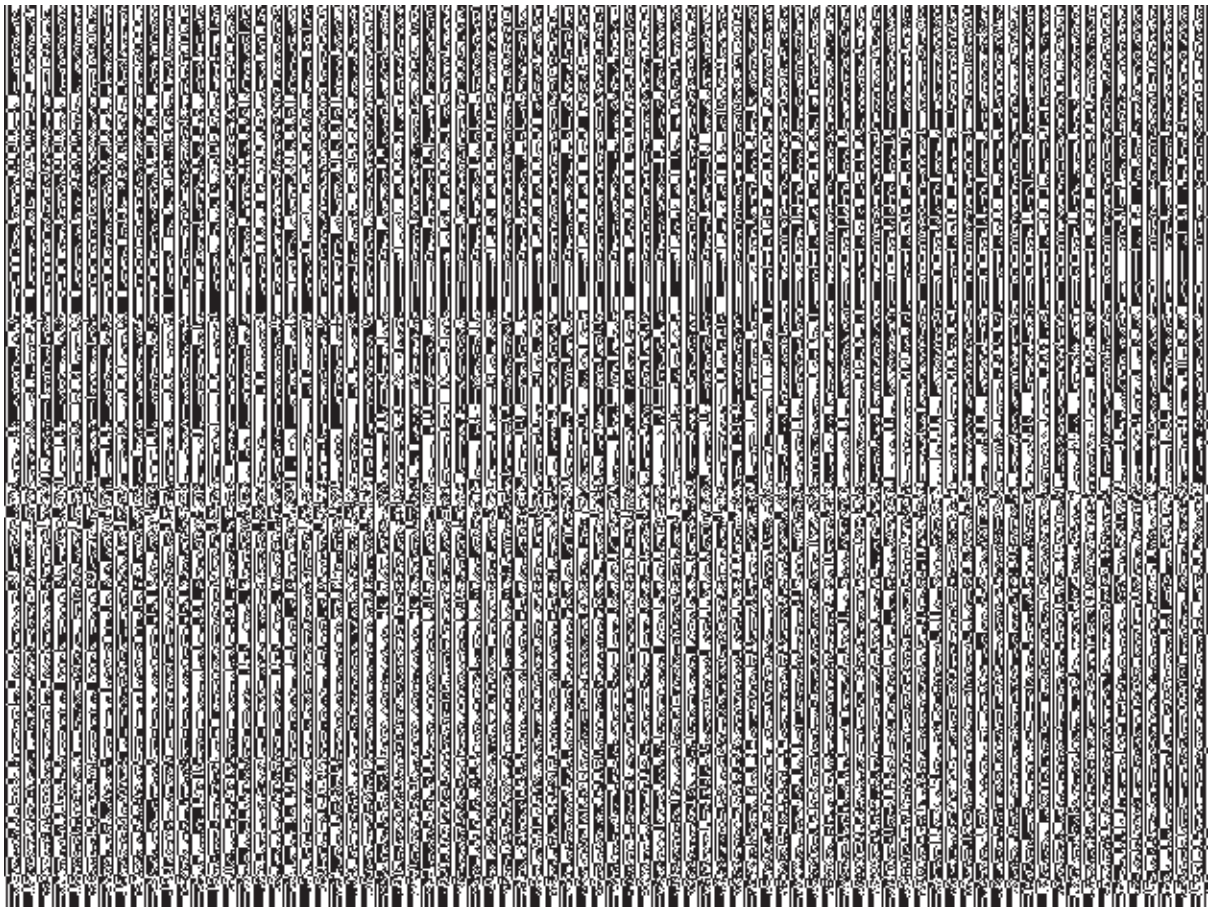
The mineral deposits within the Comstock, Oceana and Mariposa Sites have been identified by Zeehan Zinc as the primary development and exploration projects which the Directors believe will be the first resources to be mined by the Company. The mined ore is expected to be mainly processed through an integrated mining and mill processing operation situated on the Comstock Site. It is the intention of the Company that processed zinc, lead and silver concentrate will be transported by rail to the Burnie wharf situated approximately 140 km northeast of Zeehan (see Figure 2) for sale to smelters and/or metal suppliers/traders in domestic and international markets.

Current projects

Comstock Site

The Comstock Site is Zeehan Zinc's initial development project and the Directors expect that it will be the subject of the Company's first commercial production. The site comprises four Mining Leases: 123M/1947 (Balstrup Fault, Allison's Lode and Main Lode), 43M/1985 (Balstrup Fault), 19M/1995 (Balstrup Fault) and 9M/2002 (co-disposal waste and tailings area). The deposits consist of three styles of mineralisation. The most prominent style, and that mined historically in the Comstock District, is a fault-controlled, vein-style of lode with zinc-lead-silver mineralisation, hosted by carbonate lithologies. The two other styles of base metal mineralisation that occur in the tenements, but have not been the subject of significant historical mining, are a sphalerite-rich pyrite replacement style and a magnetite-serpentinite skarn style. Please see section 2.3.1 of the Competent Person's Report in Part III of this document for further information.

Figure 3: Comstock Site



Source: Zeehan Zinc

The mine is situated five km west of the township of Zeehan. The mine site consists of a gravity plant and co-disposal waste and tailings area (both to be completed), work shed, access roads, power lines and an established open cut into Allison's Lode.

A flotation plant is planned for construction next to the existing gravity plant to enable the Company, subject to approvals, to produce concentrate commencing 2007.

The Directors intend that initial mining and excavation of the ore within the Mining Leases held by the Company will be performed by mining contractors. The Company is in negotiations with contractors to procure the relevant services. It is expected that these contractors will supply the necessary staff and equipment to excavate and mine the ore. Once mined, the Company plans to transport the ore to its gravity plant for crushing and the removal of waste material, and where it will be cleaned to produce a pre-concentrate feedstock. This pre-concentrate will pass into the Company's integrated flotation plant which will further grind and separate the material using a liquid flotation process to produce metal concentrates. Waste material from this process is deposited into a co-disposal waste and tailings area. It is intended that the processing operations will be entirely operated by the Company.

Figure 4: Gravity plant and Comstock open pit

Oceana Site

The Oceana mine is situated south of the township of Zeehan and at the foot of Mt Zeehan. The site comprises Mining Lease 2M/2005 and has been the focus of the Company's recent exploration activities. Oceana is primarily a lead, zinc and silver deposit consisting of stratabound massive sulphide bodies. Mineralisation is galena-dominant, with subordinate sphalerite and localised massive pyrite (Please see section 2.5.5 of the Competent Person's Report in Part III of this document for further information).

The Oceana mine site is expected to include a mobile crushing plant, a workshop, a tailings dam, new access roads and a spiralling open pit. The Company intends to use an excavator and mobile crushing plant to mine and break down the ore. The Company intends to truck the crushed ore to the Comstock Site for further processing.

Table 1: Summary of Zeehan Zinc Mining Leases[1]

Asset	*Tenement Renewal Date*	*Tenement Area*	*Comments*
123M/1947 *Balstrup Fault* *Allison's Lode* *Main Lode*	31 Mar 09	145 ha	Comstock District
43M/1985 *Balstrup Fault*	1 Oct 07	80 ha	Comstock District
19M/1995 *Balstrup Fault*	31 Mar 09	11 ha	Comstock District
9M/2002	31 Mar 09	11 ha	Comstock District Tailings purposes
2M/2005 *Oceana*	4 Sep 08	48 ha	Zeehan Field

NOTES:
(1) 100% owned by the Group

Mariposa Site

The Mariposa Site is situated six km south-east of the township of Zeehan. A Mining Lease application (4M/2006) has been lodged for a 98 ha area over the Mariposa mine site.

The Mariposa Site is primarily a lead, zinc and silver deposit and is part of a series of limestone-hosted base metal occurrences located around Zeehan that have been subjected to previous mining. Please see section 2.5.6 of the Competent Person's Report in Part III of this document for further information.

Application for Mining Lease 4M/2006 has been made to secure the Mariposa deposit, which is contained within EL 20/2002. For the interim period whilst the application is under review, MRT has offered to grant, on application, a Retention Licence over the deposit for a period of two years to allow the Company to fully detail its mining plans, prior to considering whether to grant the Mining Lease. An application for a Retention Licence must include a work programme and evidence of the presence of potential economic mineralisation. Zeehan Zinc has advised MRT that it intends to continue its application for a Mining Lease in respect of this deposit.

Exploration Licences

The Group holds Exploration Licences 20/2002, 30/2002 and 18/2003 and believes that it has met all environmental and minimum expenditure commitments for these licences as required by the government authorities to maintain the Exploration Licences and it intends to continue to do so.

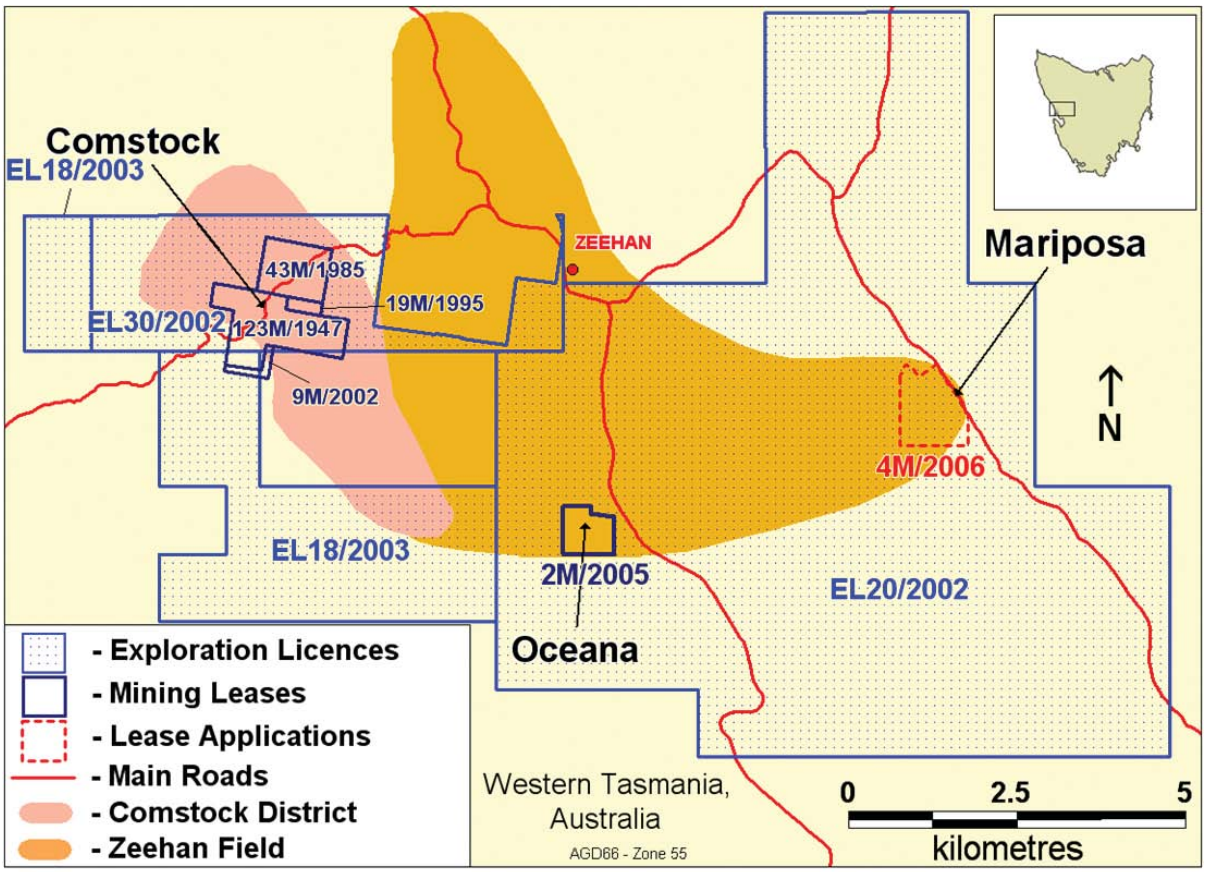
Table 2: Exploration Licences[1]

Asset	*Tenement Renewal Date*	*Tenement Area*	*Comments*
EL20/2002 *Oceana* *Mariposa*	31 Jan 08	71 km^2	Zeehan Field
EL30/2002	31 Jan 08	8 km^2	Zeehan Field and Comstock District
EL18/2003	10 Feb 10	14 km^2	Zeehan Field and Comstock District

NOTES:
(1) 100% owned by the Group

Figure 5 below is a summary of the Mining Leases (Comstock and Oceana Sites), Mining Lease application (Mariposa) and Exploration Licences held by the Company.

Figure 5: Summary of Zeehan Zinc tenements



Source: Zeehan Zinc

Status of Mining Leases and Permit

Zeehan Zinc holds five Mining Leases providing the right to mine the deposits (subject to permitting and government approvals) within the areas defined by these Mining Leases.

Prior to the commencement of mining, the holder of a Mining Lease must complete a Development Plan and Environmental Management Plan ("DPEMP") to obtain a Permit. Zeehan Zinc currently has a Permit (P8/2001) to mine ore from ML 123M/1947 at a rate of 200,000 tpa. This Permit also currently extends its working boundary into part of ML 19M/1995 and ML 43M/1985. The Company has made an application to alter the conditions of the Permit to extend into ML 9M/2002 and increase allowable production at the Comstock Site to 400,000 tpa. This application is still currently under review by the local council in collaboration with the relevant authorities. The Company has submitted two notices of intent to DTAE, for the construction of the Oceana mine and for the development of the Comstock flotation plant (and associated environmental requirements) to further increase allowable production to 800,000 tpa.

The Company is also in the process of renewing Mining Leases 123M/1947, 19M/1995 and 9M/2002 and has received written confirmation from MRT on 26 May 2006 that the Mining Leases would be renewed subject to the payment of a A$2.5 million Environmental Bond. These Mining Leases remain active and upon payment of the Environmental Bond, the Mining Leases will be renewed until 31 March 2009. The term of these Mining Leases may be further extended beyond this period subject to continued demonstration of additional mineable resources in substantial part to at least Indicated Resource standard as defined by JORC. The Company has deposited A$250,000 of the Environmental Bond with MRT under a bank guarantee. The Company intends to replace the current bank guarantee and satisfy in full the conditions of the Environmental Bond with a A$2.5 million bank guarantee following Admission.

Mining Lease 43M/1985 (Balstrup Fault) was initially granted in October 1986 for a period of 21 years and does not require renewal until October 2007. The Company intends to apply for renewal in accordance with the requirements of the Mining Lease and the MRD Act.

The Company was granted Mining Lease 2M/2005 in respect of the Oceana deposit on 4 September 2006 for a period of two years. The Environmental Bond in respect of this Mining Lease has been paid to MRT. A DPEMP will be required to be submitted to West Coast Council and a Permit granted to the Company prior to the commencement of mining.

Resources and Competent Person valuation

A&S has completed a Competent Person's Report and has reported that the areas within the Mining Leases and Mining Lease application contain approximately 6.9 million tonnes of ore, containing, on average, 4.4% zinc, 3.5% lead and 34 grams/tonne of silver, under JORC classified Reserve and Resource categories. Please refer to Table 3 below for a summary of the reserves and resources contained within the tenements held by the Company.

Table 3: Resource summary

Category	*Net attributable to the Company*			
	Tonnes (millions)	*Grade % Zinc*	*Grade % Lead*	*Grade g/t Silver*
Ore/Mineral Reserves per asset				
Probable Reserve				
Allison's Lode	0.099	5.7	1.7	42
Reserves Sub-total	**0.099**	**5.7**	**1.7**	**42**
Mineral Resources per asset				
Measured				
Main Lode	0.005	4.1	3.2	40
Indicated				
Oceana	0.666	2.3	5.2	30
Inferred				
Allison's Lode	0.0026	2.3	0.7	17
Main Lode	0.0127	4.3	1.7	24
Balstrup Fault	4.6	5.7	3.3	35
Oceana	0.938	1.2	2.6	16
Mariposa	0.574	1.9	5.1	60
Resources Sub-total	**6.798**	**4.4**	**3.5**	**34**
Resources and Reserves Total	**6.897**	**4.4**	**3.5**	**34**

Source: A&S

A&S has also completed an independent valuation of the Mining Leases, the Mining Lease application and Exploration Licences held by the Company (based on current JORC compliant Resource and Reserve data) and, using its own valuation methodology and assumptions, value Zeehan Zinc's Mining Leases between approximately A$149–A$231 million (approximately £60–£93 million) and the Company's Exploration Licences at approximately A$24 million (approximately £10 million). Please see Part III of this document for further information.

Development efforts

The Company's zinc, lead and silver assets are situated within close proximity to one another. The Directors believe that this will allow the Company to selectively mine each resource in turn and utilise a central processing plant on the Comstock Site to produce metal concentrates.

To date, the Company's development efforts have centred on the exploration and development of its three mining projects: Comstock, Oceana and Mariposa. Since 2000, Zeehan Zinc has undertaken considerable development work in the Comstock District and capital outlays on the Comstock Site have totalled approximately A$6 million over the past six years. The work Zeehan Zinc has undertaken on the Comstock Site includes:

- an exploration and appraisal drilling programme;
- extensive geophysical programme including gravity, electromagentics, magnetics and resistivity exploration techniques;
- partial installation of an integrated crushing and gravity plant (to produce pre-concentrate);
- development of an open pit at the Allison's Lode pit and definition of a 0.09 mt reserve extending north of this pit;
- hard top diversion road around the Allison's Lode reserve;
- rehabilitation of one of the major waste rock dumps;
- installation of a five km 22 kv power transmission line and transformer to supply power to the Comstock Site operations;
- permit approval to extract 200,000 tpa of minerals from the Comstock Site with a further submission to increase this to 400,000 tpa;
- full design and preliminary establishments of co-disposal waste rock and tailings dam area; and
- design and preliminary sourcing of equipment for the flotation plant and two notices of intent submitted as an initial step to obtain a permit to install this plant and as part of the development of the Oceana Site.

The Company intends to complete the installation of a gravity plant and a flotation plant at the Comstock Site, construct a co-disposal waste and tailings area to enable the Company to centrally process all of the mined ore within Zeehan Zinc's tenements and commence production during 2007. The Company has also entered into discussions with domestic and international smelters to purchase concentrates once production commences.

For further information on the mining assets and mining plan of the Company, please refer to the Competent Person's Report in Part III of this document.

4. Strategy

Zeehan Zinc aims to become a leading producer of mined zinc, lead and silver in Australia. The Company intends to establish (primarily) an open-pit mining operation, including an integrated mining and milling processing operation at the Comstock Site. The Directors believe that the operations will be able to mine and mill up to 800,000 tpa of ore. The ore extracted from the mines will be processed into concentrate and it is the intention of the Company to pursue opportunities to sell the concentrate from the mine to metal traders and/or smelters on domestic or international markets. The Directors expect that, after Admission, the infrastructure and approvals necessary to commence commercial production will be in place and mining will commence during 2007. To take advantage of current metal prices, the Company is also considering the processing and sale of pre-concentrates in the near term. The Directors also intend to consider alternative technologies and processes to mine and process the minerals more efficiently.

The Company expects to continue with ongoing exploration and appraisal drilling programmes across its development and exploration acreage base. The Company intends to conduct further geophysical exploration and drilling over its Exploration Licences given the prospective nature of the area. This exploration will comprise the compilation of technical data and commissioning of surveys with the aim of delineating targets for drill testing to identify economic grades of zinc, lead and silver deposits.

5. Market overview

Prices for many metals – precious and base – have been affected by similar forces during the past five years. During the 1990s, historically low prices discouraged exploration and development in the mining sector leading to a lack of sustained investment in mineral resources. However, since the global recession in 2000/2001, an acceleration in industrial and economic growth in Asia (especially China and India), as well as other better-situated economies in Southeast Asia, combined with strong US growth has placed upward pressure on energy and commodities prices. Global mining infrastructure was not properly equipped to meet this significant increase in demand.

Zinc

Zinc was a strong performing base metal in 2006 and recent zinc prices remained underpinned by low stocks, supply concerns and capital inflows. It is expected that a supply deficit will be sustained in 2007 which will support further price strength.

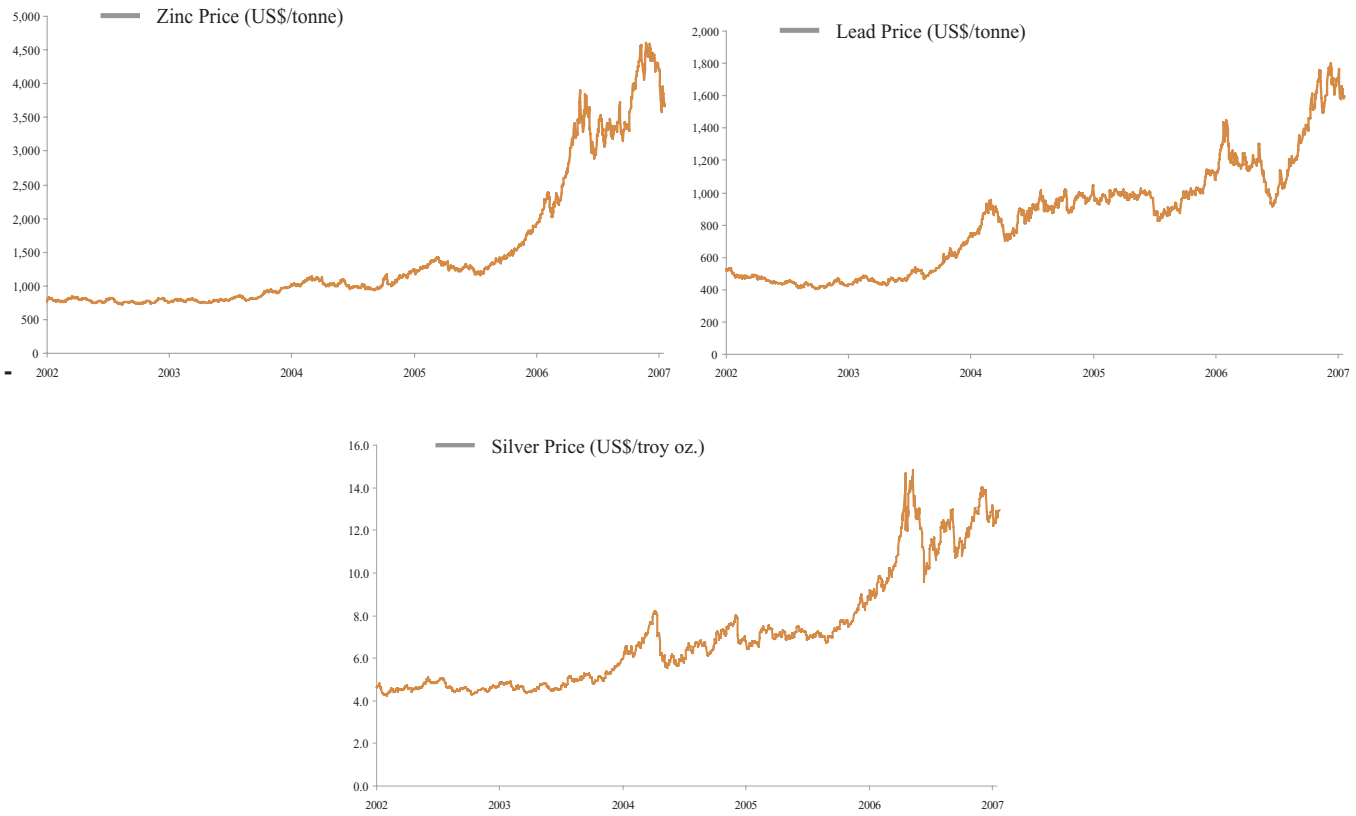
Lead

Lead prices have increased as a result of falling stocks and firm demand, especially in China. The global lead market is expected to record modest surpluses in 2007 and Chinese industrial demand may have an impact on prices in the future.

Silver

Favourable supply/demand fundamentals, acceleration of direct investment and generally supportive commodity price levels should allow silver to maintain price levels.

Figure 6: Zinc, lead and silver market prices(1)



Source: Bloomberg
(1) As of 22 January 2007

6. Directors and Senior Management

Directors

Michael William Roberts, Chairman, aged 58

Mr. Roberts has 30 years experience in investment banking and industry in senior executive and board level positions. He has held a number of senior positions with UK and overseas companies and, prior to joining Zeehan Zinc, was CEO of Primeline Petroleum Corporation, the parent of a Toronto-based publicly listed oil company. Mr. Roberts also has his own oil and gas exploration interests in Tasmania and has had extensive natural resources experience during his time as a senior investment banker.

Mr. Roberts holds a Natural Science Tripos MA from Cambridge University and is a qualified accountant with an FCA (England and Wales).

Malcolm Roy Bendall, Deputy Chairman, aged 48

Mr. Bendall was a founding Director of Zeehan Zinc. He is also Chairman of Empire Energy and Chairman of Great South Land Minerals Limited, Bass Resources Limited and a director of Oceania Tasmania Pty Ltd and ZZ Exploration Pty Ltd, which are both subsidiaries of Zeehan Zinc. Mr. Bendall has been active in the Tasmanian mining industry for some 30 years as a registered mine manager, drilling supervisor and entrepreneur, and is a Fellow of the Institute of Company Directors, Australia. His previous experience includes time spent as an employee, geological or mining consultant to the following companies: BHP Exploration, Amoco Minerals, Renison Goldfields and Pasminco (now Zinifex).

Mr. Bendall previously managed and supervised construction of the current gravity plant and infrastructure of the open pit for Zeehan Zinc.

He studied geology and environmental science at the University of Tasmania.

John Aubrey Pollard, Chief Executive Officer, aged 45

Mr. Pollard has over 25 years experience in general management, operations, accounting and finance in Australia, the UK, USA and Japan. His experience includes project managing major capital investment programs, major asset installations and senior operational and board responsibilities.

Prior to joining Zeehan Zinc, Mr. Pollard acted as Chief Financial Controller of KEA Australia Pty Ltd for the past ten years where he was responsible for analysis and development of the company's financial policies and procedures, preparation of annual sales forecasts, budgets, company cash flow and costing procedures. Mr. Pollard was actively involved in the successful negotiation of financing facilities for capital equipment purchases and major contracts on behalf of the company. He has also consulted independently to a number of companies, providing professional advice in the areas of accounting policies, practices, corporate governance and human resource management.

Mr. Pollard holds a Bachelor of Economics degree from Macquarie University in Sydney and is an Associate Member of the Australia Society of CPAs.

Stuart George Lloyd, Chief Financial Officer, aged 56

Since 2000, Mr. Lloyd has advised Zeehan Zinc on a number of financial aspects related to the Company and in 2006 became its Interim Chief Financial Officer. Mr. Lloyd intends to remain in this position until a full-time, permanent Chief Financial Officer is appointed by the Board and as the Group moves into commercial production. At that time, Mr. Lloyd will remain as a member of the Board in a non-executive capacity.

Mr. Lloyd FCA (England & Wales), FCA (Australia) and CPA is a Senior Partner of Astims, a professional accountancy practice based in Sydney, Australia. In addition to standard advisory and compliance procedures he is an Accredited Auditor and Tax Agent. Mr. Lloyd is currently a Director of Waterco Limited, a manufacturer and distributor of water treatment and swimming pool products and he is a former Director of Biometrics Limited, a start-up biotechnology company involving smartcard applications.

Mr. Lloyd has specialised in providing hands-on business advice to service organisations in the mining, media, entertainment and IT industries. Mr. Lloyd has assisted in financing, investment structures, fund raising, corporate governance and general management focusing on financial compliance, governance and administrative affairs. Mr. Lloyd qualified as a Chartered Accountant in the UK in 1974.

In the past Mr. Lloyd has been involved with a number of natural resources companies as a founding shareholder, director or company secretary as follows: Moruya Gold Mines (1983) NL, Pangea Resources Ltd and Perseverance Gold Mines NL. Currently he is undertaking consultancy work for King Eagle Resources Pty Ltd, Perlio Pty Ltd, Xenolith Gold Ltd and Titan Mines Ltd.

Dr. Clive Francis Burrett, Non-Executive Director, aged 57

Clive Burrett has a geology honours degree from the University of London and a PhD from the University of Tasmania. He taught geology at the University of Tasmania from 1970-2005 and was head of the Department of Geology from 1997-2002. He is an expert on the geology of Tasmania, South East Asia and China and edited the standard text on the Geology and Mineral Resources of Tasmania.

He has researched ore deposits in Oman, China, Australia, Thailand and Laos and was an investigator on the Australian Mineral Industry Association's series of projects on the distribution and geological setting of ore deposits in China and SE Asia from 1995-2003. He has consulted to leading mining companies on ore deposits in China, Thailand and Laos including involvement in CRA's (RTZ) major exploration program on the lead-zinc deposits around the Zeehan area, Tasmania. He has supervised many graduate theses on base and precious metal deposits in South East Asia and western Tasmania.

Stephen Michael Powell, Non-Executive Director, aged 52

Mr. Powell is Managing Director of Hartz International, one of Tasmania's largest manufacturers and exporters of fruit juices and mineral waters. He is also Chief Executive Officer of Mountain Maid and is associated with other companies involved in the development of commercial, rural and marina projects in Tasmania. Mr. Powell was also a Director of Great South Land Minerals Limited from May 1999 to September 2006.

Keith William Laing, Non-Executive Director, aged 71

Mr. Laing has extensive experience in the management of treasury activities, operational planning and mining assets, such as coal and gas power facilities. He has held several executive positions over a period of 20 years in finance, planning and operations in the State Electricity Commission of Victoria, Australia. He has acted as a consultant to the Australian government and industry on energy strategies and previously a director of Gold Search Victoria Pty Ltd, involved in the establishment of gold mines. Mr. Laing is involved in business consulting, specialising in operations research and business recoveries in industries such as electricity generation, gas transportation, electricity transmission and distribution and marketing. Mr. Laing holds a Bachelor of Commerce, Diploma in Mechanical Engineering from Melbourne University and is a Member of the Institute of Engineers.

Frank Lewis, Non-Executive Director, aged 61

Frank Lewis has over 25 years of experience in both listed and private companies. He has held a number of board positions as Chairman and non-executive director both in the UK and abroad with growing, mid-market companies. Mr. Lewis is currently a non-executive director of a number of AIM-listed companies including Teleset Networks Public Company Limited, a Cypriot holding company for a Russian telecommunications group, MTI Wireless Edge Ltd., a manufacturer of sophisticated antennas and antenna systems, and Polymer Logistics N.V., a provider of 'one-touch' logistics solutions. Mr. Lewis is a fellow of the Institute of Chartered Accountants of England and Wales and a member of the South African Institute of Chartered Accountants.

Senior Management

Ralph Cyril Rossouw, Chief Mining Engineer, aged 38

Mr. Rossouw has some 16 years experience in the mining sector. He has managed mining operations in a number of countries including Australia, South Africa, New Zealand, Canada, Papua New Guinea and Saudi Arabia. Mr. Rossouw has overseen engineering, risk, safety, health, and environmental aspects on numerous mine sites and previously held positions at BHP Billiton, Samancor Chrome, Ingwe Coal Corporation, Oceana Gold, Saudi Arabian Mining Company, AngloGold (Anglo American) Ashanti, Placer Dome/Barrick, Goldfields and Harmony.

Mr. Rossouw holds a Bachelor of Science in Engineering from the University of Witwatersand in Johannesburg and has received numerous academic awards including Mine Managers' Prestige Prize and Gencor (now BHP Billiton) Award for engineering faculty.

Simon Peter Youd, Mine Manager, aged 46

Mr. Youd has over 15 years experience in the Australian mining industry. Mr. Youd has been the Mine Manager at Zeehan Zinc since 2002 and before this had held various roles, including Project Manager, Foreman and Mine Superintendent at Barminco, one of Australia's leading mine contractors. Mr. Youd has been involved in the creation of the mine plan and has worked closely with senior management in creating the mining strategy.

Paul Noel Heath, Senior Project Geologist, aged 31

Mr. Heath is Senior Project Geologist of Zeehan Zinc and has been instrumental in the development of the Comstock open-cut mine from preliminary exploration to pre-production stage for the past six years. He is responsible for ensuring the implementation of best practice environmental management measures across all

mining tenements, and is the primary contact between the regulatory authorities and the Company and was previously assistant mine manager. Mr. Heath holds a Bachelor of Science with Honours from the University of Tasmania and a Bachelor of Science with majors in geology and botany from the La Trobe University. He also coordinates graduate research projects with the University of Tasmania.

7. Corporate governance

The Directors recognise the importance of sound corporate governance and intend that the Company will comply with the main provisions of the Combined Code and the QCA Guidelines insofar as they are appropriate given the Company's size and stage of development.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Directors intend to hold Board meetings quarterly and at other times as and when required. Within six months following Admission, the Directors also intend to conduct a review of the Company's existing systems, internal controls and corporate governance procedures in consideration of the commencement of mining and commercial production. The Company has also implemented procedures to evaluate any potential related party transactions, which must be approved by a committee of directors independent from potential transactions of this nature.

The Company has established properly constituted audit and remuneration committees of the Board with formally delegated duties and responsibilities.

Audit Committee

The audit committee has primary responsibility for monitoring the quality of internal controls and ensuring the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The audit committee will meet not less than twice in each financial year and will have unrestricted access to the Company's auditors. The members of the audit committee are Frank Lewis (Chairman), Keith Laing and Michael Roberts.

Remuneration Committee

The remuneration committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive plan in operation from time to time. The committee will meet as and when necessary. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Guidelines. The members of the remuneration committee are Frank Lewis (Chairman), Keith Laing and Michael Roberts.

Share Dealing Code

The Company has adopted and will operate a share dealing code governing the share dealings of the Directors and applicable employees during close periods, in accordance with Rule 21 of the AIM Rules.

8. Current trading and prospects

The Company has not commenced trading at the date of this document. Zeehan Zinc will seek to begin commercial production during 2007 once the necessary infrastructure and approvals to commence mining and processing are completed.

9. Reasons for Admission and use of proceeds

The Directors believe that the Admission and Placing will facilitate the Company's ability to commence commercial production.

The Company is raising approximately £8.0 million net of expenses and it is the intention of the Directors that the proceeds raised from the Placing will be used to:

- complete the construction of the gravity plant and undertake the construction and installation of the flotation plant and other infrastructure in order to commence commercial mining;
- renew Mining Leases 123M/1947, 19M/1995 and 9M/2002 by way of the satisfaction of the A$2.5 million (approximately £1 million) Environmental Bond to MRT;
- continue exploration activities to define further mineral resources within the Company's tenements; and
- fund general working capital requirements and repay existing debt.

10. Details of the Placing

The 46,153,846 Placing Shares to be issued at the Placing Price pursuant to the Placing represent approximately 35 per cent. of the Ordinary Shares and will raise approximately £8.0 million net of expenses for the Company. The Placing Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respects with Existing Ordinary Shares.

Libertas Capital has agreed, pursuant to the Placing Agreement, to use its reasonable endeavours to place the Placing Shares with institutional and other investors. Details of the Placing Agreement are set out in paragraph 10.2 of Part V of this document.

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealings in Ordinary Shares are expected to commence on or around 6 March 2007.

11. Lock-in and orderly market arrangements

At Admission, the Directors and persons connected with them will together own 10,841,363 Ordinary Shares, representing approximately 6.2 per cent. of the Enlarged Share Capital immediately following the Placing. The Directors have undertaken to Libertas Capital and the Company that they will not, and that they will use their reasonable endeavours to procure that persons connected with them will not, sell or dispose of, except in certain circumstances (as permitted by the AIM Rules), any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and, for the 12 months immediately following the first anniversary, will use their reasonable endeavours to procure that persons connected with them will effect a sale only through Libertas Capital Securities Limited to the extent that their terms are competitive within the market, if Libertas Capital Securities Limited effect the sale within a certain period and will only do so following consultation with Libertas Capital Securities Limited in relation to any such disposal.

Certain Shareholders have also entered into orderly market arrangements pursuant to which they have agreed, for a period of 12 months following Admission and subject to certain exceptions, not to sell any Shares without first seeking to sell them through the Company's brokers. These arrangements are set out in orderly market deeds ("Orderly Market Deeds") which cover 12,200,000 Shares in aggregate, representing approximately 9.3 per cent. of the Enlarged Share Capital immediately following the Placing. These Orderly Market Deeds are summarised in paragraph 10.9 of Part V.

Under the Terralinna Subscription Agreement, described in paragraph 10.8 of Part V of this document, 5,300,000 Shares held by Terralinna Pty Ltd, as Trustee for the Phillip Simpson Family Trust ("Terralinna"), may not to be transferred and Terralinna may not to do anything to change beneficial ownership of those Shares prior to the first anniversary of Admission, unless the Board of the Company determines otherwise or as defined by Rule 7 of the AIM Rules as applicable.

Under the Note, Europe Wind III B.V. has undertaken with the Company and Libertas Capital that it will not dispose or agree to dispose of 14,652,014 Shares (being all of the Shares to be issued on conversion of the Note at Admission) or any rights or interests in those shares prior to the first anniversary of Admission, except in certain circumstances as permitted by the AIM Rules, or to a third party with no intermediary broker where the third party assumes the obligations of the orderly market arrangements under the Note, or through Libertas Capital on terms competitive within the market, with Libertas Capital effecting the sale within a certain period and, if the sale is not effected within that period, Europe Wind III B.V. shall be free to dispose of the Shares through a third party broker on terms and at a price no less favourable than was offered to Libertas Capital. Further details of the Note are set out in paragraphs 2.3 and 10.20 of Part V of this document.

12. Share Option Plan

In order to assist in the recruitment, retention and motivation of high quality management, the Company has approved and adopted the 2006 Share Option Plan Rules. Under the Share Option Plan, the Company may grant options over up to 10 per cent. of its issued share capital from time to time. The Company has granted options to the Directors. Further details are set out in paragraph 5.2 of Part V of this document.

Further details of the Share Option Plan are set out in paragraph 4 of Part V of this document.

13. Dividend policy

The Directors currently propose to re-invest the Company's earnings to finance the growth of the business in the short to medium term and intend to commence the payment of dividends only when they consider it to be commercially prudent to do so, having regard to the availability of the Company's distributable profits and the retention of funds required to finance future growth.

14. Related party transactions

Historically, the Company entered into a number of related party transactions and going forward the Company has implemented procedures to evaluate any potential related party transaction, which must be approved by a committee of directors independent from potential transactions of this nature.

Detailed information on the related party transactions the Company has entered into is set out in paragraph 8 of Part V of this document.

15. Taxation

General information regarding UK and Australian taxation in relation to Admission and the Placing is set out in paragraph 14 of Part V of this document. These statements are intended only as a general guide to current UK and Australian tax law. The statements are not intended to be, nor should they be considered to be, tax advice to any particular Shareholder or prospective investor. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.**

16. The Takeover Code

As the Company is incorporated in Tasmania, Australia and the place of central management and control is outside of the United Kingdom, the Channel Islands and the Isle of Man, the Company is not considered to be resident in the UK for the purposes of the City Code on Takeovers and Mergers (the "City Code"), which for the time being does not apply to the Company. Accordingly, the Company will not be subject to takeover regulations in the UK until such time as the position changes. Investors should be aware that the protections afforded to shareholders by the City Code which are designed to regulate the way in which takeovers are conducted will not be available. It is therefore possible that an offeror may gain control of the Company in circumstances where the non-selling shareholders do not receive, or are not given the opportunity to receive, the benefit of any control premium paid to the selling shareholder(s).

Details of the Australian takeover regime applicable to the Company are set out in paragraph 9 (Mandatory Offers and Compulsory Acquisition of Shares) of Part V of this document.

17. Admission, settlement and CREST

The Company has applied for the Depositary Interests to be enabled for settlement through CREST with effect from Admission and CRESTCo has agreed to such enablement. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on or around 6 March 2007. Generally, securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised depositary interests ("DIs") representing the underlying securities which are held on trust for the holders of the DIs.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company. The Ordinary Shares will not themselves be admitted to CREST, instead the Registrar (or a custodian nominated by it), acting as depositary, will issue DIs in respect of the Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through the CREST system.

The DIs will be created and issued pursuant to a deed poll entered into by the Registrar, which will govern the relationship between the Registrar as depositary, and the holders of the DIs. Further details of the terms of the deed poll are set out in paragraph 13.2 of Part V of this document. Further details of the depositary arrangements are set out in paragraph 13.3 of Part V of this document. The registry is in Australia. Further details of the branch registry are set out in paragraph 13.4 of Part V of this document.

Participation in CREST is voluntary and shareholders who wish to hold Ordinary Shares in certificated form may do so. Shareholders wishing to receive certificates will have their holding recorded on the Company's register in Australia.

Further information regarding the depositary arrangement and the holding of Ordinary Shares in the form of DIs is available from the Depositary. The Depositary may be contacted at Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, United Kingdom.

18. Additional information

Your attention is drawn to the Risk Factors set out in Part II, to the Competent Person's Report in Part III, and to the information contained in Part IV (Financial Information) and Part V (Additional Information) of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares is highly speculative and involves a high degree of risk as the Company's principal business is one of mineral exploration and exploitation and may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an independent investment adviser under FSMA, who specialises in advising on investments of this nature before making their decision to invest.

The Directors consider the following risks and other factors to be most significant for potential investors, but the risks listed do not necessarily comprise all those associated with an investment in the Ordinary Shares and the risks listed below are not set out in any particular order of priority. Potential investors should carefully consider the risks described below before making a decision to invest in the Ordinary Shares. If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Specific risk factors

Exploration and development of the tenements

Whether or not income will result from the mining of the mineral deposits depends on successful establishment of mining operations. Factors including costs, actual mineralisation, permitting regulations and requirements, environmental factors, consistency and reliability of ore grades, and mineral prices affect successful project development, as does the design and construction of efficient processing facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants. Even if the Company recovers quantities of zinc, lead and/or silver, there is a risk that it will not extract the amount of ore originally envisaged or achieve a commercial return. The Company may not be able to sell the metals to customers at a price and quantity which would cover its operating and other costs.

Project development risks

The Company plans to continue to develop its resource and reserve deposits and operations. There can be no assurance that these will be developed in accordance with the Company's current plans or completed on time or to budget.

Also, as a consequence of the rapidly expanding mining industry throughout Australia, equipment procurement could be impacted by the high levels of demand, even in respect of small issues such as replacement tyres for contracted mining equipment. In some cases, lead times for the ordering and consequent delivery of crushing and milling equipment could be extended, due to the high levels of demand throughout Australia. If the Company's relationships with the individual mining contractors are not managed properly, that may expose the Company to operational risks.

Estimates of mineral resources

The mineral resource estimates included in this document are estimates only and no assurance can be given that any proven or probable reserves will be discovered or that any particular level of recovery of minerals will in fact be realised or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in an increase in the Company's proven and probable reserves. The estimated resources described in this document should not be interpreted as assurances of commercial viability or potential profitability of any future operations.

Renewal of the mining leases and exploration licences

The Mining Leases and Exploration Licences in which the Company has an interest will require renewal or conversion from time to time. If for any reason a licence is not renewed then the Company may be denied the opportunity to develop the deposits covered by the mining leases and exploration licences.

Zeehan Zinc is in the process of renewing Mining Leases 123M/1947, 19M/1995 and 9M/2002 and the renewal of these Mining Leases is subject to the lodgement of a A$2.5 million bond with MRT. Any failure to meet the conditions for renewal of these Mining Leases would prevent the Company from mining the mineral deposits

contained in these leases and would have a material adverse effect on the Company's business prospects, asset value and financial condition.

Permitting regulations and requirements to mine the tenements

Any failure by the Company to comply with any of the terms and conditions and regulatory requirements associated with the Mining Leases and Exploration Licences could result in sanctions and/or penalties being levied on the Company and/or could result in the revocation of the Mining Leases and Exploration Licences from the Company, which would have a material adverse effect on the Company's business prospects, asset value and financial condition.

Additionally, the Company's operations are subject to environmental regulation (including requirements to obtain and maintain certain permits) in the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including prevention of waste and water management, pollution and general protection of the environment, as well as health and safety issues. The Company may also be subject under such regulations to clean-up costs and liability for hazardous substances produced as a result of its operations. There may be unforeseen environmental liabilities resulting from future exploration and mining activities and these liabilities may have cost implications.

Annual extraction rates of the mineral deposits

The Company currently holds a Permit providing for an annual extraction rate of 200,000 tpa within part or all of the area covered by Mining Lease 123M/1947, 43M/1985 and 19M/1995 and which will be subject to the initial mining efforts of the Company. An application to extend the scope of this Permit to cover ML 9M/2002 has been made. The Company has also submitted an application to alter the conditions of the Permit to increase the maximum annual extraction rate to 400,000 tpa, in order to commence mining of the mineral deposits contained within the Company's other Mining Leases. This represents Scenario 1 of the independent valuation detailed in the Competent Person's Report. Scenario 2 for the Company's valuation of resources in the CPR requires the Company to increase maximum annual extraction rates to up to 800,000 tpa, for which the Company will be required to submit separate applications to DTAE/MRT under the Comstock and Oceana projects. The Company has submitted notices of intent to file to DTAE for the Comstock mine and the Oceana mine operations. Any failure to secure or successfully amend permits or obtain increase(s) in maximum annual extraction rates could lead to a delay in production or even abandonment of the deposits and adversely affect the Company's financial position.

Geology of the tenements

The delineation of geological conditions and the definition of mineral resources and ore reserves is a complex process requiring specialist input and a high degree of interpretation of the results obtained from exploration programs.

Whilst the Company intends to use best industry practice to develop reliable estimates, there remains a risk that when mining commences, geological and ground conditions could be different to those projected. In these circumstances there is a risk that ongoing operations could be adversely affected.

Management risks

The Company is highly dependent on the Directors and its senior managers and will rely on the consultants that it retains to manage operational and technical aspects of the development and mining of the deposits. Whilst the Board has sought to and will continue to ensure that directors, executives, senior managers, consultants and any key employees are incentivised, retention of such staff cannot be guaranteed, and the loss of their services to the Company may have a material adverse effect on the performance of the Company.

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations or financial projections.

Sub-contracting of mining operations

The Company is preparing its development assets for the commencement of mining and as a result there are employment risks associated with such a brownfield operation. The Company's ability to attract and retain a sufficient labour force is not certain. The Company is planning for a labour force consisting of employees and contractors for the Comstock Site and the Oceana Site. As of the date of this document, there has been no confirmation of the progress or otherwise of the Company's negotiations with the required work force. If sufficient labour force is not available or negotiations are unsuccessful, it may adversely impact the Company's operations.

Valuation of the Company's Mining Assets

Part III of this document contains a Competent Person's Report and Independent Technical Valuation of the Mineral Assets of Zeehan Zinc ("CPR"). This report includes an independent opinion of the potential value of the Company's mining assets, namely its Mining Leases, Mining Lease application and Exploration Licences. Certain valuation methodologies have been applied, which were deemed most appropriate by the Competent Person, to determine the potential value of these mining assets. However, a number of different valuation methodologies are potentially available to value such assets and the application of any of these alternative methods may yield different results, including a lower valuation than contained in the CPR.

Commodity prices

The activities of the Company and particularly the viability of the development and the mining of the deposits will be subject to fluctuations in demand and prices for all minerals generally and in particular zinc, lead and/or silver. A significant reduction in global demand for zinc, lead, and/or silver leading to a fall in zinc, lead, and/or silver prices could lead to a delay in exploration and production or even abandonment of the deposits should it prove uneconomical to develop.

Insurance risks

The Company will insure its activities in accordance with industry practice and will take all practical steps to ensure that the Company's business is covered by appropriate arrangements where possible.

It is not always possible to fully insure against certain risks associated with the Company's activities such as pollution, flooding or earthquakes as a result of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.

Currency risk

The Company will report its financial results in Australian dollars. However, the Company could enter into sale contracts in foreign currency and incur certain operating expenses in local currency. The Company does not contemplate undertaking any currency hedging prior to the commencement of mining and production. Consequently, fluctuations in exchange rates between currencies in which the Company operates may cause fluctuations in its financial results and may have an adverse effect on income and/or asset values.

Raising of future funds for the Company

The exploration and development of the tenements, in particular to progress these to metal concentrate producing operations may be dependent upon the Company's ability to raise funds through joint ventures, equity or debt financing or other means. Any additional financing may be dilutive to shareholders and debt financing may invoke restrictions on other financing and operating activities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its Shareholders.

If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to postpone or abandon further exploration and development of its projects.

Financial controls and internal reporting procedures

The Company is currently engaged in the exploration and development of mineral assets. As such, the Company has established financial controls and internal reporting procedures appropriate for the Company's current size and stage of development. As the Company moves to the production phase, it will be necessary to adopt systems and controls to meet the requirements of integrating the functions of a business engaged in the mining and commercial production of metal concentrates, including the implementation of appropriate procedures to manage the risk emanating from foreign currency and metal price fluctuations as well as establishment of an internal audit function.

Any failure by management to manage effectively the implementation of these systems and controls as the Company moves to production could have an adverse effect on the Company's business and financial performance and hinder its ability to prepare reliable financial statements in the future.

Shareholding held by Empire Energy

In 2005, Empire Energy agreed to acquire 37.5% of the issued shares in Zeehan Zinc by the acquisition of all of the issued shares in Cyber, the holder of the 37.5% stake, from Espeed Global Limited ("Acquisition").

Subsequent to the Acquisition, the ASIC investigated the Acquisition and alleged that it may be in breach of section 606 of the Act which provides that a person must not acquire a relevant interest in issued voting shares in a company if the company is an unlisted company with more than 50 members (as Zeehan Zinc was at the relevant time), where the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person, and as a result of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20%.

ASIC wrote to Empire Energy requesting it to provide the ASIC with a proposal by 13 July 2006 as to how Empire Energy intended to bring its shareholding in Zeehan Zinc in compliance with the Act. In response to ASIC's investigation, Cyber's shareholding in the Company has been reduced by a series of transactions to 3.81% pre-Admission, including a sale of 4.5 million shares in January 2007 at a price of US$1.00 per share. As at the date of this document, no enforcement action with respect to the share acquisition has been taken by ASIC and the Company is unaware of ASIC's intentions in this regard.

If the ASIC was to take further action, it could, among other things, require Empire Energy to dispose of part or all of the shares held by Cyber in Zeehan Zinc. Such a forced disposal of part or all of the shares held by Cyber in Zeehan Zinc may have a negative impact on the price of Zeehan Zinc shares.

General risk factors

General business risk

The activities of the Company are subject to the usual commercial risks and factors as competition and economic conditions may generally affect the Company's ability to generate income or achieve its objectives.

Economic conditions

Both domestic and world economic conditions may affect the performance of the Company. Factors such as the level of industrial production, inflation, currency fluctuations, interest rates, supply and demand and industrial disruption may impact on operations, commodity prices and the markets for zinc, lead and silver.

Competition

The market in which the Company operates is very competitive and may become more so. There is no certainty that the Company will be able to achieve the market penetration it seeks. There can be no assurance that the Company will be able to maintain a competitive position, especially against those with lower cost mining operations and/or greater financial resources.

Government policies

Changes to existing and possible future legislation, regulations and actions, including those regarding land access, environment, taxation and royalties could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted.

Taxation risk

Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change. Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, the Company's ability to provide returns to shareholders and/or alter the post-tax returns to shareholders.

The City Code on Takeovers and Mergers

The Company is not considered to be resident in the UK for the purposes of the City Code. Accordingly, the protections afforded by the City Code to regulate the way in which takeovers are conducted in the UK will not be available. It is therefore possible that an offeror may gain control of the Company in circumstances where the non-selling Shareholders do not receive, or are not given the opportunity to receive, the benefit of any control premium paid to the selling Shareholder(s).

Liquidity of the Ordinary Shares and AIM generally

AIM is a market designed primarily for emerging or smaller companies and the rules of the AIM market are less demanding than those of the Official List. An investment in the Ordinary Shares of the Company is highly speculative and subject to a high degree of risk.

An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its operations and some, which may affect quoted companies

generally. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares particularly as, on Admission, the Company will have a limited number of shareholders. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. Any liquidity of the Ordinary Shares may have an adverse effect on the market price of the Ordinary Shares.

Forward looking statements

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in this Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. To the extent lawfully permitted, the Company disclaims any obligations to update any such forward looking statements in this document to reflect future events or developments.

PART III

COMPETENT PERSON'S REPORT

Set out below is the full text of a Competent Person's Report prepared by Anderson & Schwab Australia Limited.

Anderson & Schwab Australia Limited

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The Directors
Zeehan Zinc Limited
Level 1/199 Macquarie Street
Hobart
Tasmania 7000
Australia

27 February 2007

Libertas Capital Corporate Finance Limited
16 Berkeley Street
London W1J 8DZ United Kingdom

Dear Sirs,

Re: Competent Person's Report and Independent Technical Valuation of the Mineral Assets of Zeehan Zinc Limited in Western Tasmania, Australia ("Zeehan Zinc" or the "Company")

Anderson & Schwab Australia Limited ("A&S") (part of Anderson & Schwab, Inc.) is acting as the Company's competent person ("Competent Person") and has prepared an independent Competent Person's Report ("CPR") on the mineral assets of Zeehan Zinc at the request of Zeehan Zinc and its nominated adviser Libertas Capital Corporate Finance Limited ("Libertas Capital") in connection with the proposed placing of new shares and the admission of the Company's entire share capital to trading on the AIM market of the London Stock Exchange plc ("AIM") ("Admission"). We acknowledge that this CPR will be included in the document prepared by the Company in accordance with the AIM Rules in connection with the Admission ("Admission Document"). The CPR has been compiled in accordance with and satisfies the AIM Guidance Note for Mining, Oil and Gas Companies dated March 2006 ("AIM Guidance Note").

In accordance with your instructions to us and the requirements of the AIM Guidance Note and as further described in Appendix I of the CPR, we confirm that we:

1. are professionally qualified and a member in good standing of a self regulatory organisation of engineers and/or geoscientists;
2. have at least five years' relevant experience in the estimation, assessment and evaluation of the mineral assets;
3. are independent of the Company, its directors, senior management and advisers;
4. will be remunerated by way of a time-based fee and not by way of a fee that is linked to the Admission or value of the Company;
5. are not a sole practitioner;
6. have the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the assets, being all assets, licences, joint ventures or other arrangements owned by the Company or proposed to be exploited or utilised by it ("Assets") and liabilities, being all liabilities, royalty payments, contractual agreements and minimum funding requirements relating to the Company's work programme and Assets ("Liabilities"); and,
7. consider that the scope of the CPR is appropriate, given the Company's Assets and Liabilities and includes and discloses all information to be included therein and was prepared to a standard expected in accordance with the AIM Guidance Note.

Standard applied

In compiling this report all resources have been classified to JORC (2004) standards by Competent Persons. JORC (2004) is a standard recognised under the AIM Guidance Note.

In providing our valuations, A&S has followed the Australasian Institute of Mining and Metallurgy ("The AusIMM") Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports — The Valmin Code, 2005 ("Valmin"), in undertaking our assessments of the tenements.

No material change

We confirm that there has been no material change of circumstances or available information since the date of the CPR and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature with respect to the proposed Admission.

Extraction of information

Further, we confirm that we have reviewed information contained elsewhere in the Admission Document which relates to information contained in the CPR and confirm that the information presented therein has been extracted directly from our CPR in a manner which is not misleading, is accurate and provides a balanced and complete view which is not inconsistent with the CPR. Our CPR is entitled "Competent Person's Report and Independent Technical Valuation of the Mineral Assets of Zeehan Zinc Limited in Western Tasmania, Australia" dated 29 January 2007 and is contained in Part III of the Admission Document, dated 27 February 2007.

Reliance on source data

The content of the CPR and our estimates of reserves, resources and values contained therein are based on exploration and drill hole data, and other geological data provided to us by Zeehan Zinc and their consultants. Zeehan Zinc has confirmed that it has provided all data which is relevant to this CPR and available at the time of its preparation. We have accepted, without independent verification, the accuracy and completeness of this data. Such data is however internally consistent with previous data supplied over a period of several years during which Simon Tear, a geologist and Competent Person under JORC (2004), has been reviewing it.

As part of our work we did undertake site visits to all of the Company's exploration and development assets as we considered such inspections would provide us with a greater understanding of the physical positioning of each property relative to other properties and enable us to review the crushing and processing plant that was under construction.

All interpretations and conclusions presented herein are opinions based on inferences from geological, geophysical, engineering or other data. The report represents A&S' best professional judgement and should not be considered a guarantee of results. Our liability is limited solely to Zeehan Zinc.

Consent

We hereby consent, and have not revoked such consent, to the issue by the Company of its Admission Document, the inclusion of the CPR in the Admission Document in its entirety and the inclusion in the Admission Document of the references to our report and to our name in the form and context in which they appear in the Admission Document.

The CPR relates specifically and solely to the subject assets and is conditional upon various assumptions that are described herein. The CPR, of which this letter forms part, must be read in its entirety.

This report was provided for the sole use of Zeehan Zinc and Libertas Capital. Except with permission from A&S, this report may not be reproduced or redistributed, in whole or in part, to any other person or published, in whole or in part, for any purpose without express written consent of A&S.

Yours faithfully,

Anderson & Schwab Australia Limited

Ian D. Buckingham, FRMIT, BAppSc, MBA, MPESA, MAAPG
Managing Director

Simon Tear, BSc(Hons), PGEO, MAusIMM, EurGeol, MIOM³
Consultant

Competent Person's Report and Independent Technical Valuation of the Mineral Assets of Zeehan Zinc Limited in Western Tasmania, Australia

Prepared for

Zeehan Zinc Limited
Level 1 / 199 Macquarie Street
Hobart Tasmania 7000 Australia

and

Libertas Capital Corporate Finance Limited
16 Berkeley Street
London W1J 8DZ United Kingdom

by

Anderson & Schwab Australia Limited
Level 4 161 Collins Street
Melbourne Victoria 3000 Australia

This report has been prepared at the request of Zeehan Zinc Limited ("Zeehan Zinc" or the "Company"). The purpose of this report is to provide a Competent Person's Report ("CPR") to Zeehan Zinc for inclusion within the Alternative Investment Market ("AIM") Admission Document, to assist it in providing an analysis and review of the Company's mineral assets and development plans thereof in Western Tasmania.

The report, prepared by Anderson & Schwab Australia Limited ("A&S"), has determined forecast values for the minerals assets of the Company. These valuations are based on information supplied by management, directors and staff of, and consultants to, Zeehan Zinc; consultants' reports based on investigations into various assets belonging to Zeehan Zinc; publicly available information and reviews of data collected, collated and assessed by staff and consultants to the Company. These valuations are subject to forward looking assumptions and expectations regarding volumes, prices, and costs, and as such could change markedly in the future from the expectation contained within this CPR.

This report may accompany commentary provided by Zeehan Zinc on their opinions but the report must be provided in its entirety. The report has been completed in accordance with the terms and conditions described herein and set forth in our agreement with Zeehan Zinc.

29 January 2007

EXECUTIVE SUMMARY

This report provides an independent technical assessment and financial valuation of the mineral and exploration assets of Zeehan Zinc for the purposes of Zeehan Zinc listing its ordinary shares on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Personnel involved in the preparation and writing of this report have been involved in a wide range of natural resources projects throughout the world, involving the disciplines of geological evaluation, minerals processing, marketing and financial evaluation. Details of the consultants' qualifications can be found in Appendix I of this report.

Within the scope of this CPR, A&S was requested to provide assessments of the mineral assets of Zeehan Zinc and of the likely market value of these mineral assets.

The mineral assets of Zeehan Zinc are located on the West Coast of Tasmania, Australia. The Company's total Resources are estimated at 6.89Mt at 4.4% zinc, 3.5% lead and 34 g/t silver. This mining area is particularly prospective for base metals mining, with exploitation of the general area having taken place over the last 125 years. The area's geology has a predisposition to form large deposits of economically extractable metals that include tin, zinc, lead, gold, silver, nickel and copper.

Project Status

Zeehan Zinc currently holds tenure over three Exploration Licences, five Mining Leases, and one Mining Lease application. The Company has identified three main projects on its tenements at Comstock, Oceana and Mariposa and has constructed an initial open cut pit at the Allison's Lode, within the Comstock Site. Zeehan Zinc is completing the installation of a 400,000tpa operating capacity crushing/gravity/flotation plant and is planning to increase this capacity to 800,000tpa. The Company has also installed a 22 kv electricity transmission line and transformer to the Comstock Site, and generally readied the Comstock Site for mining operations.

Near term operations will require Zeehan Zinc to complete the gravity/crushing plant, construct an operational tailings dam, and construct an 800,000 tpa equivalent lead, zinc and silver flotation circuit. Capital costs associated with these works are anticipated over a total mine life at A$25.7 million as estimated by the Company (see Table 19).

Ongoing exploration and appraisal drilling programmes across the Company's already delineated Resources and further exploration of its licences is expected to continue the Company's conversion of resources into a working mine inventory.

Zeehan Zinc is proposing to mine its Resources and Reserves and process this output to a metal-in-concentrate product which will be sold into the domestic and/or international market place.

Valuation

Within this report A&S has attempted to apply a financial valuation to the future value of these operations through the analysis of Zeehan Zinc's financial forecasts, together with a review of the potential market value of the Company's exploration acreage.

A&S has considered two operating scenarios in calculating a value for the Company's assets. Scenario 1 involves the production of 400,000tpa of ore and Scenario 2 involves the production of 800,000tpa of ore material. A&S' preferred market value of the Company's assets has been derived using an average ore production schedule of 400,000tpa (Scenario 1) in its calculations on a pre-corporate tax basis. Zeehan Zinc's mineral and exploration assets are valued accordingly:

Valuation of Mineral Assets

Valuation	*Valuation Method*	*Scenario 1 (400,000tpa)*	*Scenario 2 (800,000tpa)*
Mining Leases: Comstock Site (Allison's Lode, Balstrup Fault, and Main Lode including West Lode), Oceana Deposit and Mariposa Deposit(1).	NPV of future cash flows	$149.2 million	$231.3 million
Exploration Licences: EL 20/2002, EL 30/2002, EL 18/2003.	Multiple of Exploration Expenditure	$23.6 million	$23.6 million
Total		$172.8 million	$254.9 million

NOTE:
(1) Mariposa Deposit is currently the subject of a Mining Lease application ML 4M/2006.

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1. Introduction

1.1 Background

Zeehan Zinc commissioned A&S to prepare a Competent Person's Report ("CPR") in relation to the admission of the ordinary shares of Zeehan Zinc to AIM.

The assets of Zeehan Zinc include delineated mineral Resources of zinc, lead, and silver within its tenements located in the western region of Tasmania, Australia. Zeehan Zinc also holds tenure over exploration acreage parallel, adjacent, and in close proximity to these discovered resources. The Resources can be attributable to the exploration efforts of Zeehan Zinc and to earlier exploration and development by other prospectors and companies. The Company's intention is to produce lead, zinc and silver concentrates from its mineral tenements and to sell these products on the domestic and international market. The Company has held most of these tenements for a considerable time and has reached a stage where it has been able to apply a Joint Ore Research Committee classification (JORC (2004)) to them. On the basis of these Resources the Company is seeking a listing on AIM.

A&S has formed the opinion that Zeehan Zinc has successfully amassed a sufficient inventory of mineable mineral resources to warrant the start up of mining operations. The Company's priority development project, the Comstock Site, includes all of the delineated ore bodies that lie within four of the Company's Mining Leases: ML123M/1947, ML43M/1985, ML19M/1995 and ML9M/2002 and includes the central processing facility that is currently under construction. The collective name given to all of these assets held by Zeehan Zinc has been termed the 'Comstock Site', which in turn is located within the Comstock District of Western Tasmania. The deposits contained within the Comstock Site include the Allison's Lode, the Main Lode and the Balstrup Fault Mineralisation and any future extensions to these deposits that occur within these tenements.

The following developments have taken place at the Comstock Site:

- A 400,000 tpa crushing and minerals processing plant has been constructed.
- An open pit has been developed ready to extract the 98,881 tonne reserve delineated within the Allison's Lode Trial Pit and its stockpile.
- A five kilometre 22kv power transmission line and transformer have been constructed to supply power to the Comstock Site operations.
- The diversion of the Trial Harbour Road around Allison's Lode 98,881 tonne reserve.
- A Planning Permit ("Permit") (P8/2001) has been issued to allow the mining of 200,000 tonnes of ore per annum at the Comstock Site and the Company has applied to increase the allowable mining rate to 400,000 tpa.

Future activities, which include the completion of a gravity plant at the Comstock Site, construction of a compatable tailings dam, installation of an appropriate flotation circuit, together with commencement of mining activities is expected to be sufficient for Zeehan Zinc to start on the long term extraction of value from its assets.

The Company holds Exploration Licences covering the Zeehan Mineral Field, which is an area of old mine workings around the township of Zeehan proximal to the Comstock District (Figure 2). The Company's Exploration Licence EL20/2002, includes a large portion of the Zeehan Mineral Field and contains Mining Lease ML2M/2005 (Oceana) and application ML4M/2006 (Mariposa). The Oceana Mining Lease (ML2M/2005) contains the old Oceana Mine which was an underground lead mine, that was operational in the late 1950's. Immediately to the north of this old mine is the current Oceana deposit as identified in this report. The Oceana and Mariposa deposits both have resources classified to JORC (2004) standards. Additional exploration potential exists associated with the many old mines within the Zeehan Mineral Field.

Table 1 is a summary of the Reserves and Resources contained within the Mining Leases controlled by the Company. These Reserves and Resource numbers are classified to JORC (2004) Standards and as such represent levels of certainty as to the mineral grades and tonnages. It is from these Reserves and Resources that a significant component of the value of the Company's mineral assets has been calculated. The Reserves and Resources contained within the Mining Leases total some 6.89 million tonnes with 6.8 million tonnes contained within the Resources category. The Company is actively working to up-grade these resources to higher categories and it will look to achieve this through more detailed drilling. The Allison's Lode has a Reserve classification of 99,000 tonnes which represents a high level of confidence that the ore will be produced within the mining and economic design parameters.

The Company's lead, zinc and silver assets are situated within close proximity to one another which should allow the Company to selectively mine each resource in turn and utilise the proposed central processing plant. Zeehan Zinc has a current Permit (P8/2001) to produce ore from the Comstock Site at a rate of 200,000 tpa. The Company has applied to the Department of Tourism, Arts and Environment to alter the Conditions of this Permit to allow it to increase production from the Comstock Site to a rate of 400,000 tpa. The Company anticipates approval to be imminent and has developed one of its concentrate production scenarios (Scenario 1) for financial valuation purposes on this 400,000tpa basis. The Company has advised A&S that it has designed its processing facilities for an annual production rate of 800,000tpa. A&S has been informed that a notice of intent has been submitted to the relevant authorities to mine at this 800,000tpa level, and it is a stated aim of the Company to generate production to this level. A hypothetical production profile has been developed by Zeehan Zinc to accommodate an 800,000 tpa output. This profile has addressed several issues that will need to be overcome to achieve the desired level of production. This 800,000tpa production profile has been labelled Scenario 2 and A&S has also provided a valuation for the Company's mineral assets using this production level.

In order for mining to commence, Zeehan Zinc will first be required to complete the gravity mill which is near completion at the Comstock Site and to construct a tailings dam. The Company anticipates that the gravity plant will be ready for operation by the second quarter 2007, and the construction of the tailings dam is unlikely to be completed until March 2007, as a consequence commissioning during the second quarter of 2007 is anticipated.

A flotation circuit will also need to be constructed and installed ahead of the startup of the production of lead and zinc concentrates. Work on the flotation circuit is expected to be accelerated promptly following the listing of the Company on the AIM, with commissioning and startup of concentrate production currently planned during 2007.

Prior to the completion of the flotation circuit, Zeehan Zinc plans to commence mining of the Allison's Lode and to stockpile this output after treatment through the gravity mill. This will allow Zeehan Zinc to fully utilise the capacity of the flotation circuit upon its completion.

The Company has planned to use mining contractors for all of its mining operations. Equipment will most likely involve excavators, graders, rollers, loaders, and trucks. It is not envisaged that drilling and blasting will be required. The Oceana deposit will be mined in a somewhat different manner as the mineralisation is contained within massive clays which are very soft to mine. The Company is evaluating the continuous use of a grader to mine the ore which would then need to be loaded in to the Oceana primary treatment circuit before being trucked to the Comstock central processing facilities.

There are three liabilities facing the ongoing development of the Company's assets. Firstly, the Company has an obligation to provide the Government of Tasmania ("Government") with a bond of A$2,500,000 to renew three of the Mining Leases pertaining to the Comstock Site. This bond is payable so as to assure the Government that the Company will maintain safe and environmentally approved mining and exploration activities. This bond, or part of this bond, may be forfeited if it can be shown that during the life of the mining operation the Company has not fulfilled its commitments on these matters. If the Company does meet its obligations to the Government then this bond will be returned to the Company on its exit from these assets. The bond is payable prior to the commencement of mining operations. Secondly, the Company has a royalty agreement with Zinifex Australia Limited ("Zinifex") for the payment to Zinifex of 5% of the net smelter return on any ore sold from Mining Lease ML 123M/1947. Thirdly, a 2% State Royalty applies to the mine gate value of all of the Company's production which is charged by the Government of Tasmania on the basis of production figures supplied by the Company.

1.2 Basis of Opinion

In compiling this CPR, A&S has relied on information contained within geological reports, Company documents, reports of consultants to the Company and discussions with directors and staff. All sources of information used to compile this CPR are listed in Appendix II (References). A&S has taken all reasonable care that the information contained herein has been discussed and documented, where possible, and therefore the information contained within this report is to the best of our knowledge in accordance with the facts made available by Zeehan Zinc and its consultants and advisers to A&S.

Simon Tear, a geologist and consultant with independent resource consultants, Hellman & Schofield, and contracted to A&S, provided the resource assessment of the mineral assets of Zeehan Zinc. Mr. Tear has visited these tenements on many occasions during the past ten years and has gained a strong working knowledge of their geology. Other A&S consultants, although not directly engaged on the production of the CPR, visited the properties on several occasions between March 2005 through May 2006. On 1 November 2005, Andrew Habets, an A&S consultant, visited the Comstock Site in the company of David Tanner, a former director and Paul Heath, Senior Project Geologist, of the Company, to review operations and to view the geology of the exposed ore

bodies. On completing the field visit, meetings were held with Company management and directors to review and collect data and information relating to the Company's projects. A continuous dialogue between Zeehan Zinc management and A&S has been maintained since this time. A second site visit was made on 20 March 2006, by Alister Short, an A&S consultant, to further review updated information on the mining tenements and to discuss the potential start up of mining operations in light of the Company securing sufficient funding. The site was further visited by Simon Tear in April 2006 to review exploration and development drilling programmes. Ian Buckingham has previously visited the properties and has spent time working in the general vicinity of Zeehan Zinc's assets.

All resources have been classified to JORC (2004) standards by Competent Persons. JORC (2004) is a standard recognised under the AIM Guidelines for Mining and Oil and Gas Companies (March 2006).

In providing our valuations, A&S has followed the Australasian Institute of Mining and Metallurgy ("the AusIMM"), Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports — The Valmin Code, 2005 ("Valmin"), in undertaking our assessments of the tenements. We reviewed several commonly used valuation methods for mineral assets and adopted those that we believed appropriate for the assets of the Company. A summary of these is provided in the Valuation section of this report. We selected two methods as being the most appropriate. In the first instance we reviewed the financial model provided by Zeehan Zinc and adopted it to provide a valuation of the Company's development projects using the Net Present Value of Discounted Future Cash Flows method. For the Company's exploration properties, where no resource had been identified, we used the Multiple of Exploration Expenditures method to estimate the realisable (market) value of the Company's properties. The method values a property based on the historic exploration expenditures, plus committed and approved future exploration expenditure. An "exploration effectiveness multiplier" is applied as a measure of the usefulness of the expenditure.

Where practicable, we endeavoured to identify that the input data provided in the various reference materials were valid, appropriate or calculated according to established principles. Where we could not satisfy ourselves as to the veracity of the numbers we used our knowledge derived from similar industry operations to ensure that the information that we used was reasonable and valid. Where A&S has used data provided by Zeehan Zinc management or other consultants, we have credited the sources of our information.

Table 1: Summary of Ore Reserves and Resources

ZEEHAN ZINC LIMITED

SUMMARY OF ORE RESERVES AND RESOURCES BY STATUS

Category	*Gross and Net Attributable (100% Ownership)*					*Contained Metal*					
	Tonnes (millions)	*Grade % Zinc*	*Grade % Lead*	*Grade g/t Silver*	*Contained metal (Mt)*	*Tonnes (millions)*	*Zinc (Mt)*	*Lead (Mt)*	*Silver (Mt)*	*Contained metal (Mt)*	*Operator*
Ore/Mineral Reserves per asset											
Probable Reserve											
Allison's[1]	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Reserves Sub-total	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Mineral Resources per asset											
Measured											
Main Lode (including West Lode)[2]	0.005	4.1	3.2	40	0.0004	0.005	0.00021	0.00016	0.00002	0.0004	Zeehan Zinc Limited
Indicated											
Oceana[4]	0.666	2.3	5.2	30	0.0519	0.666	0.0153	0.0346	0.002	0.0519	Zeehan Zinc Limited
Inferred											
Allison's[3]	0.0026	2.3	0.7	17	0.0001	0.0026	0.00006	0.00002	0.000004	0.0001	Zeehan Zinc Limited
Main Lode (including West Lode)[2]	0.0127	4.3	1.7	24	0.0008	0.0127	0.00055	0.00022	0.00003	0.0008	Zeehan Zinc Limited
Balstrup[2]	4.6	5.7	3.3	35	0.4301	4.6	0.2622	0.1518	0.0161	0.4301	Zeehan Zinc Limited
Oceana[4]	0.938	1.2	2.6	16	0.0371	0.938	0.01126	0.0244	0.0015	0.0371	Zeehan Zinc Limited
Mariposa[5]	0.574	1.9	5.1	60	0.0436	0.574	0.011	0.0293	0.0035	0.0436	Zeehan Zinc Limited
Resources Sub-total	6.798	4.4	3.5	34	0.5641	6.798	0.299	0.238	0.023	0.5641	
Resources and Reserves Total	6.897	4.4	3.5	34	0.5718	6.897	0.304	0.241	0.0235	0.5718	Zeehan Zinc Limited

References:

Ore/Mineral reserves Probable:

1 *Allison's Lode Reserve Statement, Minserve — January 2006* (includes Measured and Indicated resources)

Mineral resources, Measured, Indicated and Inferred:

2 *Zeehan Zinc Limited Resources Estimation and Classification Update, Cotlco Pty Ltd, September 2005*

3 *JORC Resource Statement for the Allison's Lode — November 2005, SMG Consultants Pty Ltd*

4 *Oceana Pit: Resource Review, Zeehan West Tasmania, February 2006, SMG Consultants Pty Ltd*

5 *Block Model Report for the Mariposa Deposit, January 2006, SMG Consultants Pty Ltd*

Prepared by: Simon Tear
4/46 Edward St., Brisbane, QLD 4000, Australia

2. Zeehan Zinc Assets

2.1 Introduction

Zeehan Zinc holds three Exploration Licences, five Mining Leases and has applied for one Mining Lease near the township of Zeehan, Western Tasmania, Australia (Figure 1).

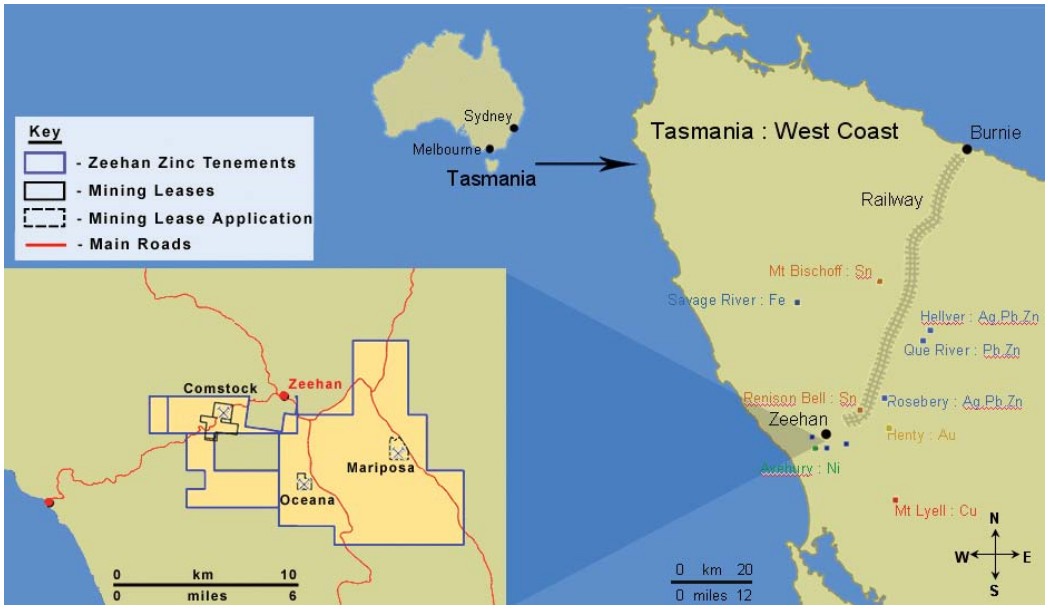

Figure 1: Regional Location Map

The area around Zeehan consists of a large number (>100) of old mine workings that have been allocated into different mineral fields. In the 1880's Zeehan was the hub of a significant mining boom, however, by the beginning of the 1900's most of the mining had ceased. Zeehan Zinc did not hold any exploration licences or mining leases at this time.

Zeehan Zinc holds its mineral assets through its wholly owned subsidiaries Oceania Tasmania Pty Ltd ("OT") and ZZ Exploration Pty Ltd ("ZZE").

Zeehan Zinc has undertaken substantial work on its tenements and has delineated three main lead/zinc/silver projects. These are referred to in this report as the Comstock Site and the Oceana and Mariposa Sites.

2.2 Tenements

OT holds four Mining Leases (ML) and ZZE holds one ML and three Exploration Licences (EL). ZZE has also made application for an additional Mining Lease within Exploration Licences EL20/2002. Table 2 sets out the Company's Mining Leases, Exploration Licences and Mining Lease Application. Primarily, ML123M/47, ML43M/1985, ML19M/1995, ML9M/2002, EL30/2002, EL18/2003 lie within the Comstock District with EL20/2002, ML2M/2005 and application ML4/2006 laying within the Zeehan Field (Figure 2). A Mining Lease application ML5M/2005, contained within Exploration Licence EL30/2002, was refused by the MRT on the 27th November 2006 with the MRT requiring further work to be carried out under the umbrella of the Exploration Licence EL30/2002 before a Mining Lease can be granted. This work is planned to commence in January 2007, and on its completion the Company will re-apply for a Mining Lease over this area (Refer to Table 16).

Table 2: Zeehan Zinc — Australian Mining Tenements

Asset Name	*Holder*	*Interest*	*Status*	*Tenement Expiry Date*	*Licence Area*	*Comments*
Exploration Licences						
EL20/2002 *Oceana Mariposa*	ZZE	100%	Exploration	31 Jan 08	71 sq.km.	Total expenditure of $875,000 Years 1 and 2(1) have been met
EL30/2002	ZZE	100%	Exploration	31 Jan 08	8 sq. km.	Total expenditures of $505,000 Years 1 and 2 have been met
EL18/2003	ZZE	100%	Exploration	10 Feb 10	14 sq.km.	Total expenditure of $10,500 Years 1 and 2 have been met
Mining Leases						
ML123M/1947 *Balstrup Allisons Main Lode*	OT	100%	Development	31 Mar 09(2),(3)	145 ha	(Comstock District)
ML43M/1985 *Balstrup*	OT	100%	Development	1 Oct 07	80 ha	(Comstock District)
ML19M/1995 *Balstrup*	OT	100%	Development	31 Mar 09(3)	11 ha	(Comstock District)
ML9M/2002	OT	100%	Development	31 Mar 09(3)	11 ha	(Comstock District) Tailings purposes (Comstock District)
ML2M/2005 *Oceana*	ZZE	100%	Development	4 Sept 08	48 ha	(Zeehan Field) Contained within EL20/2002
Application for Mining Leases						
ML4M/2006 *Mariposa*	ZZE	100%	Application		98 ha	(Zeehan Field) Application within EL20/2002

NOTES:

(1) Minimum expenditure commitment was reduced to $750,000 for the first two year period, after a smaller area than that applied for was granted.

(2) First granted to Electrolytic Zinc Company of Australasia Ltd [EZ] in 1947 and acquired by Oceania Tasmania Pty Ltd in 1988.

(3) Zeehan Zinc applied for renewal for a further 10 year period on 29 September 2005, within the 30-day grace period for renewal applications for existing tenements. The Minister for Economic Development and Resources, Tasmania (26 May 2006) has offered to renew these leases until at least 31 March 2009, upon the payment of a bond of $2,500,000.

2.3 Geology and Mineralisation of the Tenements

The geology of the West Coast of Tasmania comprises a complicated series of faulted and folded rocks of Late Pre-Cambrian to Ordovician-aged sediments and volcanics intruded by Late Devonian-aged granites. There have been many structural overprints culminating in the Tabberabberan Orogeny during Devonian times. Within this region there is a major Cambrian-aged volcanic belt, the Mt Read Volcanics, which hosts a number of significant base metal mines e.g. Rosebery, Mt Lyell and Hellyer, see Figure 1.

In the past, the area around Zeehan has been divided into mineral fields by government geologists. Definition of these fields is included in Blissett (1962) with the Comstock District and the Zeehan Mineral Field being relevant to ZZE's tenements (see Figure 2).

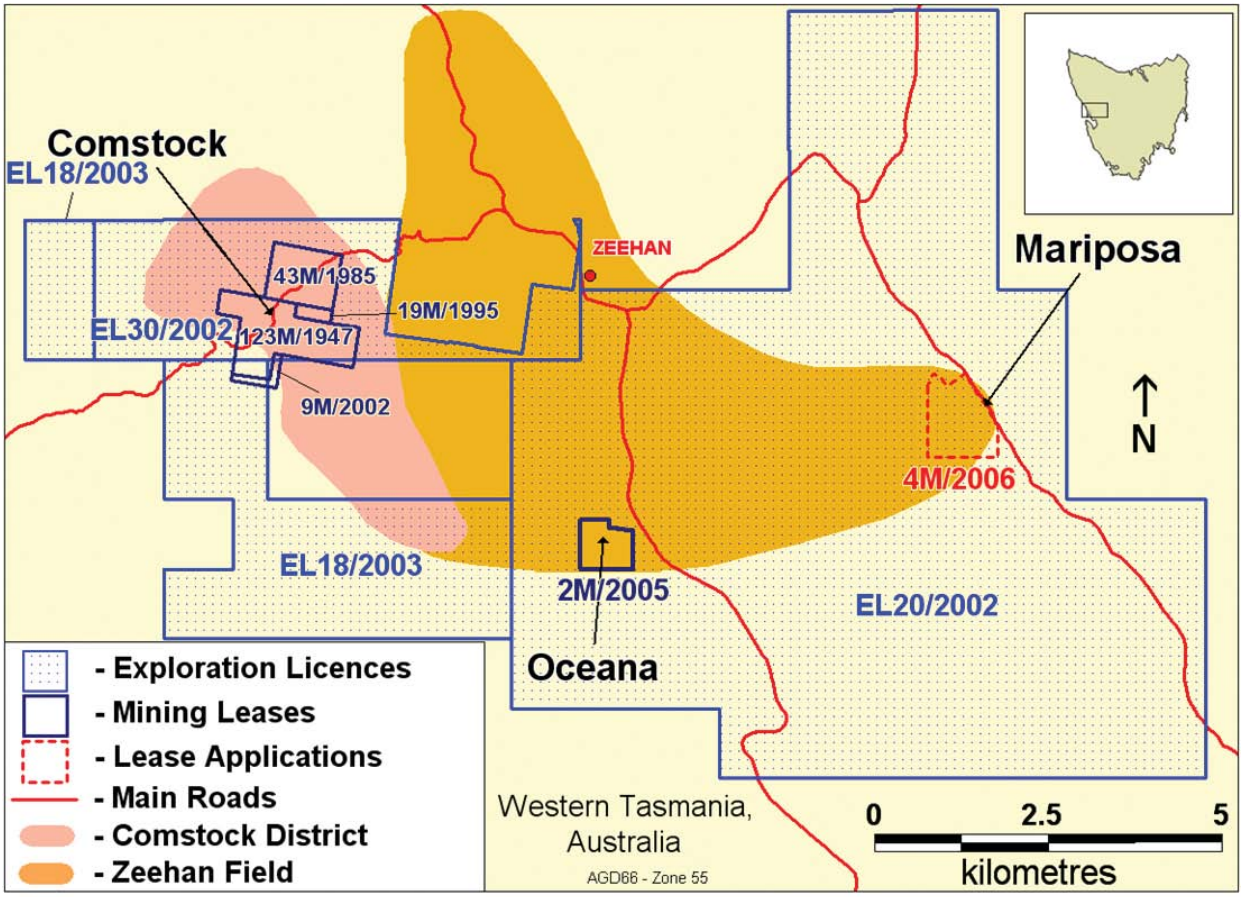

Figure 2: Tenement Map

2.3.1 Comstock District

2.3.1.1 *Geology/Mineralisation*

The Comstock District tenements, located 5km west of Zeehan (see Figure 3 for aerial photograph over part of the Comstock District and Comstock Site), are situated within Late Pre-Cambrian and Early Palaeozoic sediments of the Oonah and Crimson Creek Formations. The sediments of the Oonah Formation are dominated by carbonate lithologies whereas the sediments of the Crimson Creek Formation are dominated by argillaceous and arenaceous lithologies, with minor carbonate intercalations.

The Oonah Formation sediments have been subjected to intense deformation, manifest as tight folding with associated development of thrust faulting. The Crimson Creek Formation sediments appear less deformed with more open folding. Devonian age granitoids (principally the Heemskirk Granite) have intruded the Oonah and Crimson Creek Formations and are considered to be the source of the base-metal and tin mineralisation that is widespread throughout the Zeehan area. Stocks of Heemskirk Granite are interpreted at shallow depth beneath Queen Hill and the Comstock District and these have either provided the source for mineralisation or a heat source to remobilise and focus pre-existing mineralisation.

Three styles of mineralisation are present in the Comstock District. The most prominent style, and that mined historically in the Comstock District, is a fault-controlled, vein-style of lode with zinc-lead-silver mineralisation, hosted by carbonate lithologies. The two other styles of base metal mineralisation that occur in the tenements, but have not been the subject of significant historical mining, are a sphalerite-rich pyrite replacement style and a sulphide-magnetite-serpentinite skarn style. The former is similar in style to the Renison Bell Tin Mine, which was the largest underground tin mine in the Southern Hemisphere and is located 16km to the North East, whilst the latter mostly occurs inside the metamorphic aureole of the Heemskirk Granite 2km to the west of the Comstock leases.

The Comstock District mineralisation initially comprised a number of old lode workings dating back to the 1880's. The field was noted for its lodes to be more zinc-rich relative to lead than for other nearby fields.

Figure 3: Comstock District and Comstock Site

2.3.1.2 ***Historical***

Knight (1997) states that the Zeehan area, of which the Comstock District is a part, had two major past periods of mining activity. The first, from discovery of the field in 1882, ended after the outbreak of World War I in 1914, whilst the second period occurred as a minor resurgence of activity between 1947 and 1960. This resulted in ore production of some 194,816 tonnes of lead and 26,585,000 ounces of silver. Reports record a historic mineral production (metal) from the Comstock Site as 2,640 tonnes of zinc, 3,676 tonnes of lead and 165,000 ounces of silver.

Knight (1997) also records that in 1989, 7,334 tonnes of high-grade base-metal ore (Table 3) was shipped to the Rosebery Mill, owned and operated by Pasminco (now Zinifex), from the South Comstock Mine. The average head grade of this shipped tonnage was 14.8% zinc and 3.6% lead and 62 g/t silver.

In addition, Sundew Holdings Pty Ltd ("Sundew") delivered in 1997, a total of 1,240 tonnes of lode material with an average grade of 14.5% zinc, 2.4% lead and 45 g/t silver to the Rosebery Mill, from the Allison's Mine (within 123M/1947). Sundew secured a sub-lease agreement from OT in 1997 for mining and exploitation rights for the first 70 metres below surface within ML 43M/1985 and the majority of ML123M/1947. This sub-lease agreement has since reverted back to OT.

Table 3 — Past mining at the Comstock Site

Deposit	*Tonnes*	*Lead %*	*Zinc %*
South Comstock	7,334	3.6	14.8
Allison's Lode	500	2.3	19
Allison's Lode	740	2.5	11.8
Total	**8,574**	**3.4**	**14.8**

Renison Goldfields Consolidated Exploration Pty Ltd ("RGC") conducted exploration over the Comstock District between 1990 and 1995. RGC's exploration included geological mapping, ground magnetic surveys, soil

sampling and diamond drilling. A total of 16 holes were drilled, mostly aimed at carbonate replacement style mineralisation associated with the footwall of the Balstrup Fault. An inferred resource estimate was generated by RGC over a one kilometre strike length to a depth of 480 metres, from a depth of 80 metres below surface. This estimate was generated prior to the implementation of the JORC Code. RGC estimated an inferred tonnage of mineralisation of around 6 million tonnes with an average grade (using intercepts at or above 1% zinc), to be 5.5% zinc, 3.3% lead and 40 grams per tonne silver. RGC (and Knight (1997)) indicated potential exists for a smaller, higher-grade deposit if narrower intersections are selected and the Swansea Mining Company Pty Ltd estimated 2.9 million tonnes of the RGC-defined mineralisation contains an average grade of 8.6% zinc, 4.6% lead and 59 g/t silver.

Western Metals Limited ("WML"), then operator of the Hellyer Mine, situated approximately 90 kilometres to the north, conducted some exploration under a joint venture option agreement, negotiated in 1999. WML's objective was to delineate additional resources of ore for the Hellyer Plant. A total of just less than 2,000 metres in four diamond core holes was completed and a deep-penetration surface electro-magnetic ("EM") survey was undertaken. No additional resource was identified.

2.3.2 Zeehan Field

2.3.2.1 *Geology/Mineralisation*

This is an area containing over 40 old workings around the township of Zeehan. Host rocks for the workings are from a variety of ages and types as are the styles of base metal mineralisation. One sub-set of the area is lead/zinc replacement-style mineralisation associated with the Ordovician-aged Gordon Limestone. The known limestone-hosted deposits in the Zeehan area e.g., Oceana and Mariposa, have had analogies made to the Irish style of carbonate lead/zinc orebodies suggesting that they could form large, relatively continuous bodies of mineralisation. The Gordon Limestone has been deformed by later tectonic events to such an extent that the units are steeply dipping. The Oceana and Mariposa deposits have resources to JORC (2004) Standards and currently have a granted Mining Lease for the Oceana Deposit and a standing Mining Lease application over the Mariposa Deposit within the areas contained by the Company's Exploration Licences 20/2002.

2.3.2.2 *Historical*

The Zeehan Mineral Field contains several known deposits of zinc, lead and silver. Between 1887 and 1913 approximately 42 mines produced 190,000 tonnes of lead, 71 tonnes of zinc and 27 million ounces (840 tonnes) of silver from pits and shallow underground workings (Blissett 1962). Underground mines were usually shallow due to the inefficiency of water pumps at the time.

The Oceana Silver Mining Company was formed in 1892 with a shaft sunk into the Oceana Deposit and two drives completed. Operations produced 1,016 tonnes of ore until the shaft collapsed in 1899, with only sporadic mining continuing until 1925. Renewed exploration and mining began in 1954 at the Oceana Mine under a Broken Hill North and Broken Hill South (Australian mining companies) joint venture named Zeehan Mines Pty. Ltd. This continued until 1960 when the mine failed to cope with water inflow rates. Documented evidence of reserves at that time are found in Jack (1960), see Table 4.

Table 4: Ore extracted from the Oceana Mine (McGilvray 2002)

Period	*Ore*	*Recovered Grade*		*Metal Produced*	
	(tonnes)	*Lead (%)*	*Silver (g/t)*	*Lead (tonne)*	*Silver (oz Tr)*
1887-1899	1,016	39	445	396	14,537
1906-1925	569	47	525	271	9,645
1954-1960	130,236	11	128	14,473	537,725
Total	**131,821**	**11.5**	**132**	**15,140**	**561,907**

In the late 1970's and early 1980's AMOCO undertook an extensive exploration programme around the the old Oceana Mine which included diamond drilling of 14 holes (in part in joint venture with Electrolytic Zinc — the forerunner of Pasminco, now Zinifex Australia Limited). This work identified a resource north of the the old mine, referred to in this report as the Oceana Deposit. Immediate previous licence holders reviewed the data with an option to open pit the resource but declined to proceed due to prevailing low metals prices.

2.4 Historical Status of Tenure

2.4.1 Mining Leases

Zeehan Zinc is in the process of renewing three of its Mining Leases (ML123M/1947, ML19M/1995, ML9M/2002) (Figure 2). The Company has received a letter of offer from the Minister for Mines (Tasmania, Australia) dated

26 May 2006 allowing the Company to retain tenure over ML123M/1947, ML19M/1995 and ML9M/2002, and continue its mining activities. The letter of offer includes an increase in the bond payable from the existing $250,000 to $2,500,000. This bond is to be placed with Mineral Resources Tasmania ("MRT"). On lodgement of the bond, the Leases will be renewed until 31 March 2009 and may be further extended beyond March 2009, as a result of successful exploration and development drilling and up-grading the Companies JORC (2004) classification.

Mining Lease ML43M/1985, was initially granted from October 1986 for a period of 21 years and does not require renewal until October 2007. Zeehan Zinc will apply for a renewal of this lease at least one month prior to this date as required by legislation.

At the end of March 2006, environmental consultants Scientists Engineers Managers & Facilitators Pty Ltd ("SEMF") completed an Environmental Management Plan Review ("EMPR") of the Comstock Site for Zeehan Zinc. The review illustrates that the Company's operations have "undergone several improvements in environmental performance during the period from 2003 to 2005" and accordingly Zeehan Zinc has complied with the relevant environmental permits and has made commitments to future improvements and mine management to secure a best practice operation.

Zeehan Zinc's Mining Lease(s) currently carry a condition to operate at a rate of 200,000 tpa and the Company has applied to the Department of Tourism, Arts and Environement to have this increased to allow a throughput rate of 400,000 tpa. The Company anticipates approval to be forthcoming and that its forecasts of mining output (400,000 tpa) and ensuing expectations for concentrate production can be realised. The Company has designed its processing facilities for an annual production rate of 800,000tpa. While no application has been made for this level with the relevant authorities nevertheless it is a stated aim of the Company to generate production to these levels. A&S has provided valuations for the Company's mineral assets at both the 400,000tpa and 800,00tpa production scenarios.

There are three liabilities attached to the Company's mineral assets. Firstly, the Company has an obligation to provide the Government of Tasmania with a bond of A$2,500,000 to cover the Comstock Site. This bond is payable prior to the commencement of mining so as to assure the Government that the Company will maintain safe and environmentally approved mining and exploration activities over leases ML123M/1947, ML19M/1995, ML9M/2002. This bond, or part of this bond, may be forfeited if it can be shown that during the life of the mining operation that the Company has not fulfilled its commitments on these matters. If the Company does meet its obligations to the Government then this bond will be returned to the Company on its exit from these assets.

Secondly, the Company has a royalty agreement with Zinifex Limited ("Zinifex") for the payment to Zinifex of 5% of the net smelter return on any ore sold from Mining Lease ML 123M/1947. Thirdly, a 2% State Royalty applies to the mine gate value of all of the Company's production which is charged by the Government of Tasmania on the basis of production figures supplied by the Company.

Application ML2M/2005 has now been granted (4 September 2006) to ZZE to secure the Oceana Deposit, which is contained within EL 20/2002. The Mining Lease has been granted for an initial term of two years and Zeehan Zinc has provided a $22,000 environmental bond to MRT.

2.4.2 Exploration Licences

ZZE currently has met all environemental and expenditure commitments for Exploration Licences' EL20/2002, EL30/2002 and EL18/2003. Refer to Table 2 for summary of exploration tenure.

2.4.3 Mining Lease Applications

Application ML4M/2006 has been made to secure the Mariposa deposit, also contained within EL 20/2002. The Company has informed A&S that the application has been received by MRT and an offer has been made to grant a Retention Lease over the deposit for a period of 2 years to allow the Company to fully detail its mining plans, prior to the granting of an appropriate Mining Lease. Zeehan Zinc has confirmed to A&S that it will write to the Director of Mines, indicating they wish to proceed with an application for a Mining Lease.

Application ML5M/2005 was made to secure the area of extentions of the Balstrup Fault Mineralisation. ML5M/2005, which is contained within Exploration Licence EL30/2002, was refused by the MRT on the 27th November 2006 with the MRT requiring further work to be carried out under the umbrella of the Company's current Exploration Licence EL30/2002 before a Mining Lease can be granted. This work is planned to commence late January 2007 and be completed during the course of 2007 after which the Company will re-apply for a new Mining Lease over the area of interest. (Refer to Table 16).

2.5 Reserve and Resource Estimates

A summary of the Reserve and Resource Estimates is provided in Table 5 below.

Table 5: Summary of Ore Reserves and Resources

ZEEHAN ZINC LIMITED

SUMMARY OF ORE RESERVES AND RESOURCES BY STATUS

Category	*Gross and Net Attributable (100% Ownership)*					*Contained Metal*					
	Tonnes (millions)	*Grade % Zinc*	*Grade % Lead*	*Grade g/t Silver*	*Contained metal (Mt)*	*Tonnes (millions)*	*Zinc (Mt)*	*Lead (Mt)*	*Silver (Mt)*	*Contained Metal (Mt)*	*Operator*
Ore/Mineral Reserves per asset											
Probable Reserve											
Allison's[1]	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Reserves Sub-total	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Mineral Resources per asset											
Measured											
Main Lode (including West Lode)[2]	0.005	4.1	3.2	40	0.0004	0.005	0.00021	0.00016	0.00002	0.0004	Zeehan Zinc Limited
Indicated											
Oceana[4]	0.666	2.3	5.2	30	0.0519	0.666	0.0153	0.0346	0.002	0.0519	Zeehan Zinc Limited
Inferred											
Allison's[3]	0.0026	2.3	0.7	17	0.0001	0.0026	0.00006	0.00002	0.000004	0.0001	Zeehan Zinc Limited
Main Lode (including West Lode)[2]	0.0127	4.3	1.7	24	0.0008	0.0127	0.00055	0.00022	0.00003	0.0008	Zeehan Zinc Limited
Balstrup[2]	4.6	5.7	3.3	35	0.4301	4.6	0.2622	0.1518	0.0161	0.4301	Zeehan Zinc Limited
Oceana[4]	0.938	1.2	2.6	16	0.0371	0.938	0.01126	0.0244	0.0015	0.0371	Zeehan Zinc Limited
Mariposa[5]	0.574	1.9	5.1	60	0.0436	0.574	0.011	0.0293	0.0035	0.0436	Zeehan Zinc Limited
Resources Sub-total	6.798	4.4	3.5	34	0.5641	6.798	0.299	0.238	0.023	0.5641	
Resources and Reserves Total	6.897	4.4	3.5	34	0.5718	6.897	0.304	0.241	0.0235	0.5718	Zeehan Zinc Limited

References:

Ore/Mineral reserves Probable:

1 *Allison's Lode Reserve Statement, Minserve — January 2006* (includes Measured and Indicated resources)

Mineral resources, Measured, Indicated and Inferred:

2 *Zeehan Zinc Limited Resources Estimation and Classification Update, Cotlco Pty Ltd, September 2005*

3 *JORC Resource Statement for the Allison's Lode — November 2005, SMG Consultants Pty Ltd*

Prepared by: Simon Tear
4/46 Edward St., Brisbane, QLD 4000, Australia

4 *Oceana Pit: Resource Review, Zeehan West Tasmania, February 2006, SMG Consultants Pty Ltd*

5 *Block Model Report for the Mariposa Deposit, January 2006, SMG Consultants Pty Ltd*

2.5.1 Methodologies

Assay data used in the resource estimation is a mixture of diamond drilling, channel sampling, costean rock chip sampling and aircore drilling. The recent aircore drilling at Comstock appears to have been particularly successful with very good drillhole recoveries.

Zeehan Zinc, with supervision by SMG Consultants Pty Ltd ("SMGC") collected over 80 density measurements on pieces of drillcore and boulder samples from the trial mining at Allison's Lode. Density determination utilised the 'Archimedes Principle' method with electronic scales. Logistical limitations meant that no oven drying or wax coating of the samples was undertaken. It should be noted that the core samples had been in core trays for over five years and stored at the Tasmanian Mines Department Core Store. The Company also collected nearly 200 sample measurements by the same method on 20 year old Oceana drillcore.

The drill collars for all of the recent drilling by Zeehan Zinc have been surveyed by John Edwards, of Northern Surveying Services Pty Ltd, Tasmania, who is a Registered Competent Surveyor. Survey work has been on an AMG (Australian Map Grid) basis for the Comstock area and as local grids for both Mariposa and Oceana. All resource estimation work for Oceana and Mariposa conducted by SMGC has been based on the local grids. Earlier drilled holes at Oceana (1979 to 1995) have been located on the original local grid which has been re-established and re-surveyed during 2005/6. It is planned to locate and survey the historic Mariposa holes when the infill drilling programme commences.

The resource estimations have been completed by Competent Persons (JORC 2004) from SMG Consultants Pty Ltd ("SMGC") and Cotlco Pty Ltd ("Cotlco"). Generally Cotlco's work preceeded SMGC, with the latter having additional information. SMGCs' resource estimates have been used in this valuation where they contained additional information only i.e. Allison's Lode, Oceana and Mariposa. The Main Lode and the Balstrup Fault Mineralisation have only had resource estimations completed by Cotlco as no further work was undertaken by the Company after Cotlco estimations were completed.

2.5.2 Allison's Lode

The Allison's Lode zinc/lead/silver deposit is located 5km west of the Township of Zeehan. It lies within the Comstock District which comprises a series of zinc/lead veins in flat-lying Late Proterozoic low grade metasediments.

The Allison's Lode appears to be an axial planar, sub-vertical, 'fissure-fill' vein structure located in the anticlinal hinge of an upright and NNW striking open fold. Host lithologies comprise friable, silicified and talcose dolomites underlain by locally silicified carbonaceous phyllites, all of which belong to the Upper Oonah Formation. Geological lineations infer a possible shallow plunge direction to the north.

The exposed lode comprises a N to NW sulphide vein system/structure that is over 200m long by a maximum width of 20m. The first 5m of overburden is regarded as weathered, barren material hence the host rock friability. A series of parallel, semi-continuous massive sulphide zones consist of coarse grained sphalerite, galena, and pyrite with a quartz and talc (and calcite) gangue, whilst at other times there is a stockwork of veining. Some individual sulphide veins are discontinuous and 'poddy' in nature whilst the vein system itself appears to have a silicification envelope up to several metres away from the sulphide bodies, particularly evident in the carbonaceous phyllites. Trace levels of chalcopyrite are associated as inclusions within the sphalerite.

At the southern margin of the vein system a broadening of the structure is associated with the Bendall's Fault – a WNW mineral-bearing structure that truncates the Allison's Lode structure and is parallel to the Balstrup Fault structure (Figures 4, 5 and 6).

The geological interpretation by SMGC defined the geological units for the Allison's Lode deposit (Tear 2005b). The solid shapes and surfaces were created using Surpac mining software, which were further updated to incorporate recent drilling results. The mineralisation is a distinct zone based on geology and a combination of zinc and lead assay grades, with a notional cut-off grade of 1% zinc.

Talc alteration forms on the immediate margin to and locally within the mineralised zone.

Mineralisation associated with the footwall of the Bendall's Fault has not been modelled by SMGC due to there being insufficient information. The mineralisation is thought to be the Allison's Lode that was rotated by sinistral shearing along Bendall's Fault (Tear 2000a, 2000b, 2001, and 2005a).

The Balstrup Fault provides a northern boundary to the Allison's Lode mineralisation (Figure 4). The dimensions and style of the fault are likely to be of a complex fault zone rather than a discrete plane.

A weathered surface occurs in the northern half of the Allison's Lode resource over an area relatively untouched by recent mining and is indicated as barren from the recent reverse circulation (RC) drilling performed by Zeehan Zinc.

The Inferred Resource reported for the Allison's Lode occurred at the north end of the deposit. Recent aircore drilling in this area by Zeehan Zinc (April 2006) has confirmed the existence of the lode a further 20m to the north from the original SMGC shape. Please refer to Table 5.

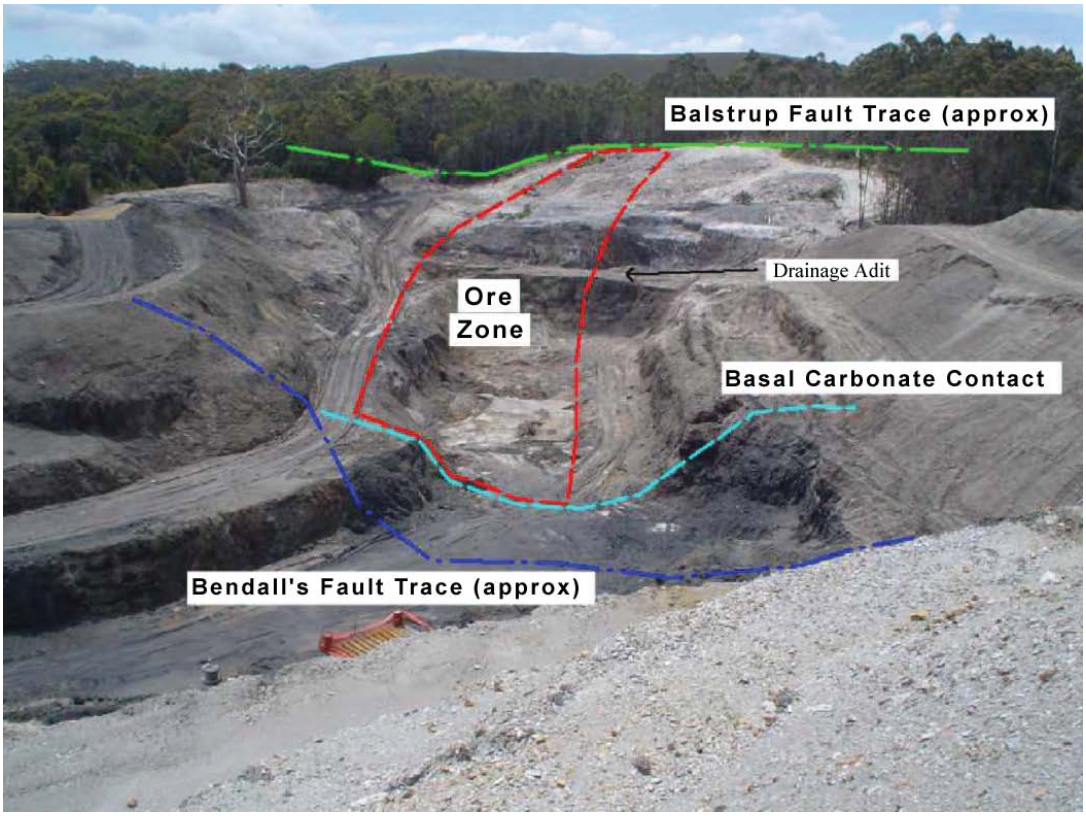

Figure 4: Allison's Lode (looking north)

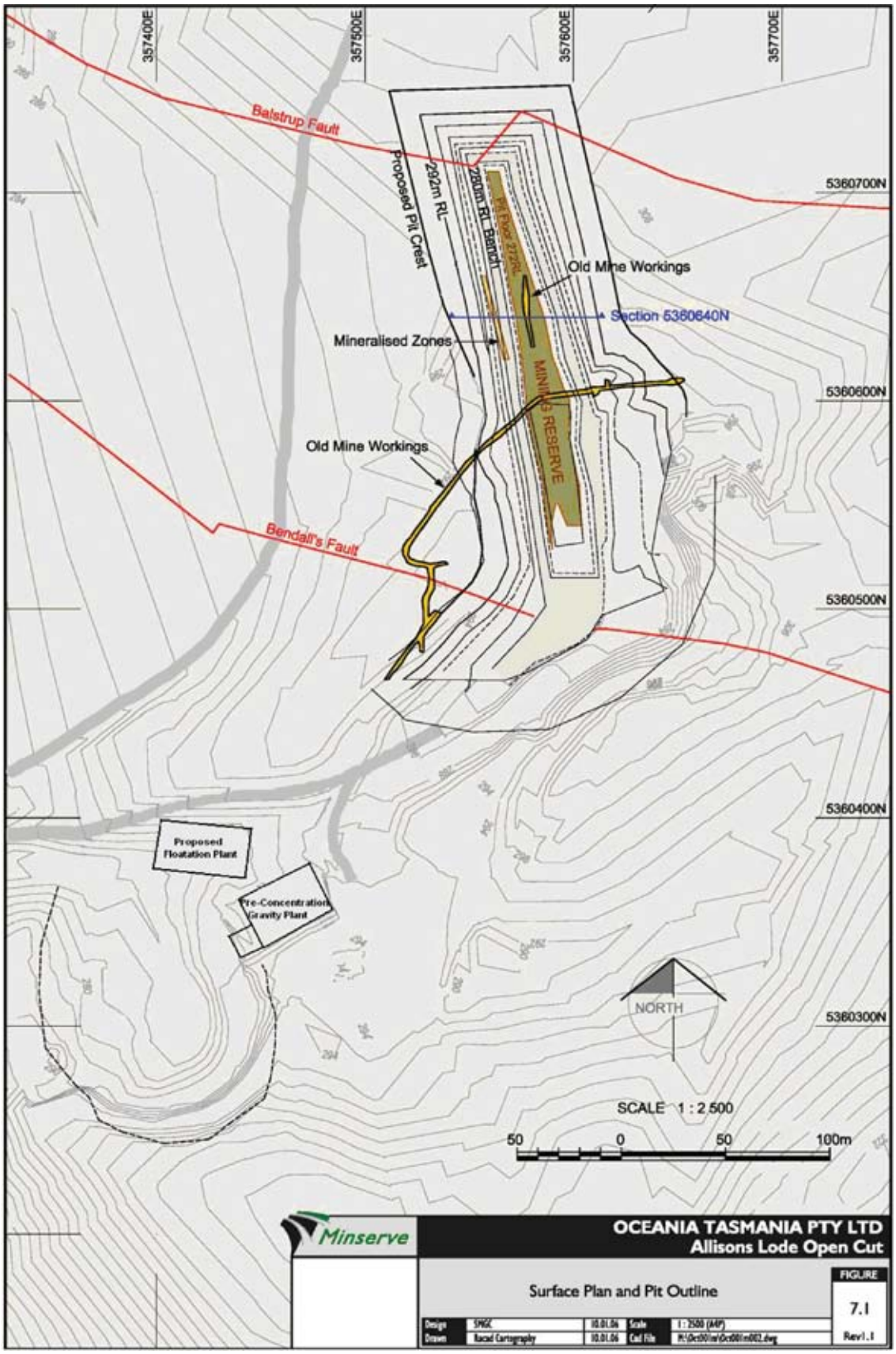

Figure 5: Comstock Plan and Pit Outline

Source: Adapted from Minserve Reserves Statement: Allisons Lode (Jan 2006)

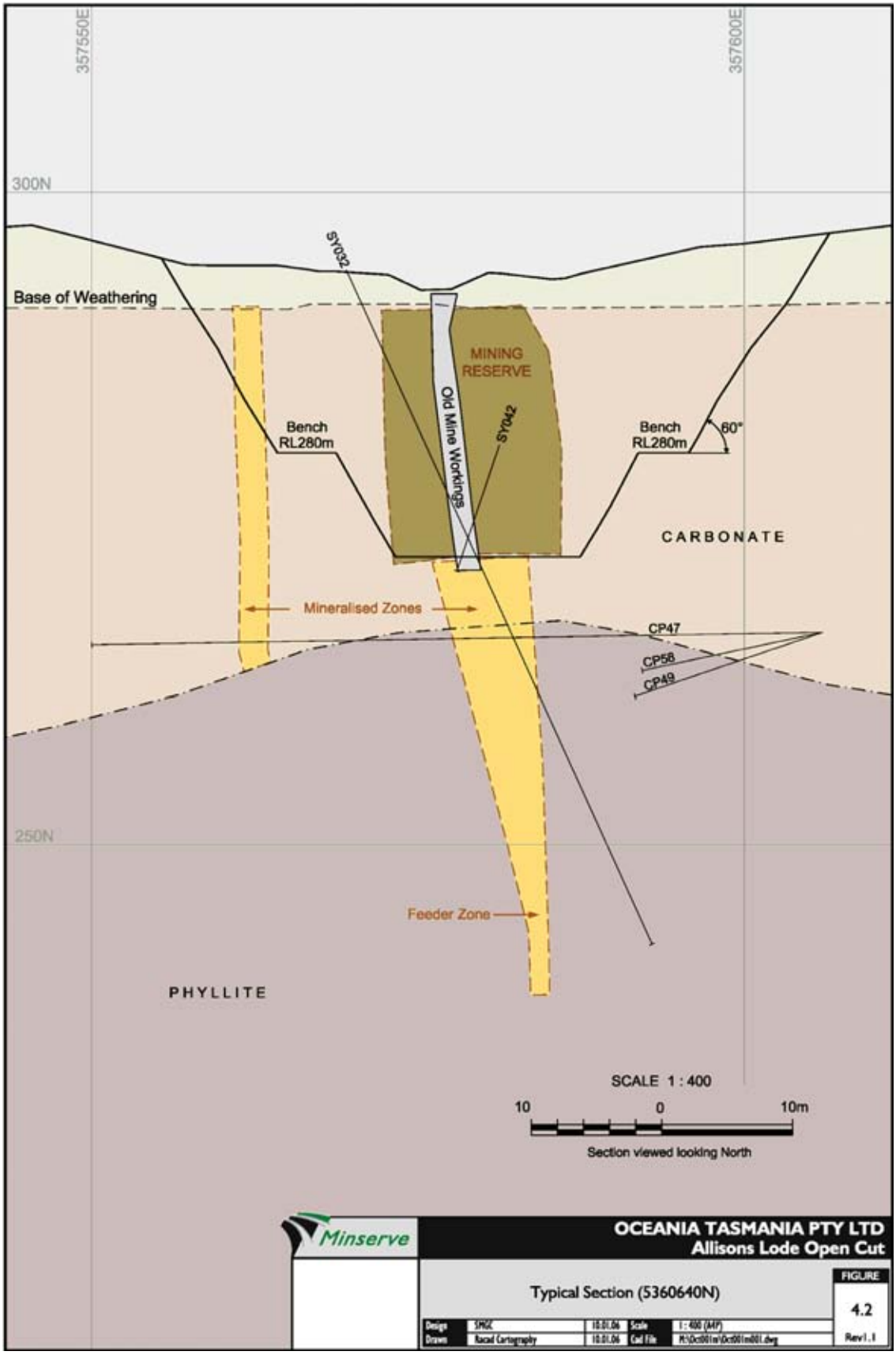

Figure 6: Allison's Lode Section (5360640 N)

Source: Minserve Reserves Statement: Allisons Lode (Jan 2006)

2.5.2.1 ***Allison's Lode Resource Assessment***

Tear (2006d) confirmed the resource estimations completed by both Cotlco and SMGC for the Allison's Lode deposit and shown in Tables 6 and 7 respectively.

The geological model for the Comstock District mineralisation consists of base metal vein structures hosted in flat lying mixed carbonate and phyllite sequences of the Late Proterozoic Oonah Formation (Tear 2000a, 2000b, 2001 and 2005a). Where the vein structure cuts through the carbonate sequences there has been a substantial widening of the structural zone with significant wall rock alteration and mineralisation. The vein structure comprises a series of high-grade lenses of base metal mineralisation in conjunction with massive pyrite bodies and low grade altered carbonate rocks. Within the phyllite sequence, the lode is much narrower although often consisting of high-grade base metal sulphides.

Table 6 — Cotlco Resource Estimates — Allison's Lode (Cottle 2005b)

Classification	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Measured				
Stockpiled Ore	3,300	14.5	21.5	540
In situ Resource	4,120	3.9	12.1	67
Total Measured	**7,420**	**8.6**	**16.3**	**277**
Indicated				
In situ Resources	30,160	2.0	7.2	36
Inferred				
In situ Resources	26,150	1.9	7.0	35
Total Resources	**63,730**	**2.7**	**8.2**	**64**

(No cut-off grade was reported but a review of the intercepts used suggests >1.5% lead+zinc)

Cotlco calculated the stockpiled ore from the trial mining of the Allison's Lode by using a calculated volume from a topographic survey and applying the "two-thirds marbles-in-a-jar" rule because of the predominantly 'boulder' nature of the ore.

Table 7 — SMGC Resource Estimates — Allison's Lode (Tear 2005b, c and d)

Classification	*Volume m³*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Measured	10,297	35,252	1.50	5.71	29.1
Indicated	17,813	59,412	1.08	4.77	22.8
Inferred	1,125	3,563	0.67	2.25	17.1
Total	**29,235**	**98,227**	**1.21**	**5.02**	**24.9**

(Cut-off grade for the ore shape was 1% zinc and/or 1% lead)

A&S has reviewed the resource estimations from both Cotlco and SMGC and noted the reasons for the different totals:

- SMGC created a series of geological shapes based on their geological understanding of the deposit. These were not available to Cotlco.
- SMGC restricted the resource to the carbonate hosted material using a base 272mRL, Cotlco extended the resource down to 264mRL.
- SMGC used a different estimation method, namely inverse distance squared as opposed to the polygon of influence method used by Cotlco.
- SMGC used a lower average density value of 3.3t/m^3 compared to Cotlco's value of 3.8t/m^3.
- SMGC had access to the assay data to calculate sulphide fractions of the samples in order provide a better estimate of density for each sample. This check work appears to confirm an average density of 3.3t/m^3.
- SMGC did not use the channel sampling assay data in the resource estimation as it was perceived as a biased dataset relative to the aircore drilling. The channel sampling was used to help define the mineralisation shape and was used as a parameter for deciding the resource classification. According to SMGC (Tear 2005c and d), inclusion of the channel sampling data in the resource database added over 2% zinc to the grade of the deposit.

- SMGC had personnel intermittently involved with project since 1999, who had witnessed some of the early excavations and had undertaken brief mapping exercises during the trial mining. Their personnel also observed the channel sampling programme.

Based on this, A&S concluded that SMGC expressed a greater geological confidence in its resource model which manifests itself as higher tonnages but with lower grades. A&S has accepted the SMGC estimations as representing a more appropriate evaluation for Allison's Lode than Cotlco's.

2.5.3 The Main Lode Deposit

This was the lode in the Comstock District that had the greatest level of historical mineral production and exploration associated with it. The apparent size of the lode, possibly 800m long, meant that in the 1880's and 1890's it was held under several different mining leases, all with intermittent mining phases. Reports by Government geologists', Twelvetrees and Waller, describe aspects of each mine lease and detail grades and production tonnages. Reported grades included "14 feet of solid [zinc] blende", ">8 feet wide lode" and "30 feet wide pyrite and [zinc] blende" with grab sample grades of 19% zinc (Tear 2001).

Exploration work by private contractors in the 1980's compiled data indicating that there was a significant unmined section of the lode at South Comstock. This section was mined in 1989 by OT, as an open pit, with a reported production figure of 7,334t at 3.6% lead and 14.8% zinc.

Recent work by Zeehan Zinc has uncovered an additional resource that is believed to be part of the Main Lode system. This new discovery was nominally called the West Lode, but has since reverted to being called the Main Lode.

Cotlco (2005b) estimated the resource for part of the Main Lode by a calculation of average volumes using the intercepts from nine drill holes, grab samples, and using a density of 3.8t/m^3. The downgrading of ore grade by Cotlco (2005b) from the previous estimate in Cotlco (2005a) was noted. This has been attributed to the additional nine drill holes being drilled after the Cotlco (2005a) report, and grade differences between the original surface sampling (pit grab samples) and drill hole intercepts. Hence, Cotlco (2005b) has classified the top 4m as Measured as defined by JORC (2004), with the remainder being classified as Inferred.

2.5.3.1 *Main Lode Resource Assessment*

This work was completed by Cotlco in September 2005 (Cottle 2005b). Dr J Cottle was the Competent Person and the estimates were stated to have been reported according to the JORC Code (2004).

Cotlco's resource estimate figure was derived using a density of 3.8t/m^3. Subsequent density measurement work by Zeehan Zinc on a variety of lithotypes and statistical analysis of the Allison's Lode aircore data indicated that a more likely density figure to be 3.3t/m^3. A&S has accepted Cotlco's estimations for this deposit and applied them in its calculation of total reserves and resources, please refer to Table 5. Table 8 below illustrates Cotlco's resources estimates for the Main Lode.

Table 8 — Cotlco Resource Estimates — Main Lode (Cottle 2005b)

Classification	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Measured	5,070	3.2	4.1	40
Inferred	12,710	1.7	4.3	24
Total	**17,780**	**2.1**	**4.2**	**29**

(No cut-off grade was reported but a review of the intercepts used suggests >1.5% lead+zinc)

2.5.4 Balstrup Fault Mineralisation

Mineralisation in the footwall of the Balstrup Fault is estimated to be over a kilometre in strike length based on the results from 16 holes drilled by RGC in the early to mid 1990's. Cotlco (2005a) estimated the resource for the Balstrup Fault using 'Polygons of Influence' for weighted grade estimations from five of the RGC drill holes and indicates that part of the mineralisation extends into ZZE's EL30/2002. While it is agreed with BDR Consulting Pty Ltd (2000) that many of the other drill holes are likely to have stopped short of their expected mineral position, it would be recommended that closer-spaced and systematic drilling be completed to enable to raise the category of this resource into Indicated and Measured.

2.5.4.1 *Balstrup Fault Mineralisation Resource Assessment*

This work was undertaken by Cotlco in February 2005, who reviewed and confirmed the work undertaken by RGC in the early 1990's (Elmer 1994) and Western Metals in 2000 (Richardson 2000). Dr J Cottle, of Cotlco, was the Competent Person and the estimates were stated to have been reported according to the JORC (2004) (see Table 9).

Table 9 — Cotlco Resource Estimates — Balstrup Fault (Cottle 2005b)

Classification	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Inferred	4,600,000	3.3	5.7	35
Total	**4,600,000**	**3.3**	**5.7**	**35**

The geological model for the Balstrup mineralisation is akin to the nearby Renison Bell Mine (28Mt @ 1.5% tin). This comprises massive sulphide mineralisation replacing Late Proterozoic carbonate stratigraphy proximal to a major fault and in close proximity to a Devonian granite. In the Balstrup Fault case the main economic metal is zinc rather than tin due to a greater distance from the granite. The wide drillhole spacing (>300m) would indicate that the Inferred Resource figure is at the lower end of this confidence category.

2.5.5 Oceana Deposit

The geology of the Oceana Deposit consists of two stratabound massive sulphide bodies of variable thickness, hosted in the steeply dipping Ordovician Gordon Limestone. The host limestone is bounded by the underlying Moina Sandstone and the overlying Crotty Quartzite. Post mineralisation faulting, the Mine Fault, cross-cuts the orebody seperating the old Oceana Mine to the south and the Oceana Deposit to the north, The Oceana Fault truncates the northern limit of the Oceana Deposit mineralisation. Mineralisation is galena-dominant,with subordinate sphalerite and localised massive pyrite (Tear 2005b). Siderite alteration characterises the mineralisation in the apparent visual absence of any sulphides. Zeehan Zinc are proposing to mine the Oceana Deposit by an open cut method.

2.5.5.1 *Oceana Deposit Resource Statement*

Resource estimates for Oceana were completed by both SMGC and Cotlco. Mineralisation comprises two steeply dipping, bed parallel lodes hosted by sideritised carbonate-rich syn-sedimentary breccias of the Ordovician Gordon Limestone Formation. A review by SMGC of research conducted on the deposit in the last ten years concluded that an Irish-type lead/zinc carbonate hosted model is appropriate rather than an Mississippi Valley Type ("MVT") model. This comparison with the Irish orebodies, invokes a greater confidence on the geological continuity to the mineralisation.

The Cotlco resource estimation (Table 10) was based on a nominal open pit resource to 50m depth using a "polygon areas of influence" method in association with drilling and costean intercepts (Cottle, 2005). A notional cut off of 4m at a grade >1.5% combined lead and zinc was used to define the resource shape with the depth of the resource taken to 850mRL. A density of 2.7t/m^3 was used.

Table 10 — Cotlco Resource Estimates — Oceana (Cottle 2005b)

Classification	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Inferred — Open Pit	208,100	7.5	1.7	57
Inferred — Other	1,891,900	9.4	2.7	91
Total	**2,100,000**	**9.2**	**2.6**	**88**

(Cut-off grade based on 4m @>1.5% combined lead + zinc)

The SMGC resource estimation was based on a 30% lead top cut, a 35m search radius and a density of 3.05t/m^3 (for an ID^2 estimation model) for a resource down to the 1000m Level (Table 11).

Table 11 — SMGC Resource Estimates — Oceana (Tear 2005e & 2006a)

Classification	*Volume m^3*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Indicated	217,938	665,531	5.2	2.3	29.8
Inferred	307,500	938,147	2.6	1.2	16.3
Total	525,438	1,603,678	3.7	1.7	21.9

(Cut-off grade based on 1% lead and/or 1% zinc and/or siderite alteration)

The bulk of the mineralisation at this stage lies near surface within the East Lode. SMGC identified an additional Inferred Resource below the 1000mRL within the West Lode (Table 12):

Table 12 — Additional SMGC Oceana Resource Estimates (Tear 2005e & 2006a)

Classification	*Volume m³*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Inferred	24,688	76,762	6.0	1.0	51.3
Total	24,688	76,762	6.0	1.0	51.3

(Cut-off grade based on 1% lead and/or 1% zinc and/or siderite alteration)

The above resource is reliant on one drillhole which SMGC considered unsuitable for adding to the resource figures for Oceana. They preferred to identify it as potential for resource and therefore it is not included in Table 5.

A&S has reviewed the differences between the Cotlco and SMGC resources estimates for the Oceana Deposit and notes the following:

- SMGC created a series of 3-D geological shapes including one for the old workings and ones for the Oceana Mine and Oceana Faults which constrain the open pit resource. This resource was designed using assay results >1% lead and/or 1% zinc for all types of sampling and/or with siderite alteration (an indication of the mineralisation system).
- SMGC used a different estimation method, namely inverse distance squared as opposed to the polygon of influence method used by Cotlco.
- SMGC treated the average density value differently preferring a figure of 3.05t/m³ based on density measurements of the 1980's core compared to Cotlco's inferred value of 2.7t/m³.
- Cotlco's resource estimate included material south of the Oceana Mine Fault, which was not part of the SMGC mineralisation shape due to SMGC's uncertainty over what material was actually mined out south of the fault when the Oceana Mine was operating in the late 1950's. Additionally, Cotlco took the resource down to the 850m Level.

On this basis A&S has accepted the SMGC estimation as most likely representing a more accurate resource for this deposit. SMGC has designed a preliminary open pit shape for the resource (see Figure 7) (Reid 2006a).

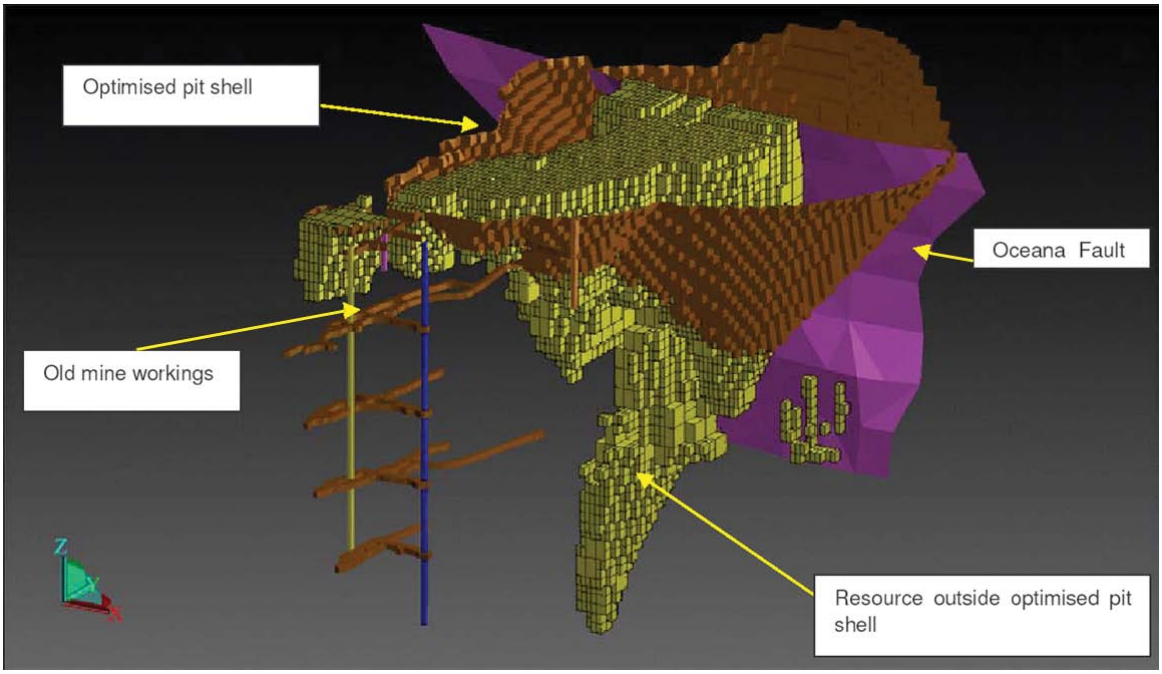

Figure 7: Optimised open cut pit shell for the Oceana mine (Reid 2006a)

2.5.6 Mariposa Deposit

The Mariposa deposit is part of a series of limestone-hosted base metal occurrences located around Zeehan which have been subjected to previous mining. The original Mariposa deposit was discovered in the 1890's as a small trial mining exercise with a shaft and underground drives developed (Tear 2005a). In the mid 1980's AMOCO and EZ undertook additional exploration work including diamond drilling and costeaning of the deposit. In the mid-1990's, CRA Exploration Pty Ltd ("CRAE") carried out an extensive aircore drilling programme coupled with some diamond drilling and other geological studies including mineralolgy (Parkinson 1994, Parkinson 1995, Tear 1996 and Tear & Russell 1997). Significant mineralisation and geochemical anomalism was discovered but follow up work was not completed (Tear 2006b).

2.5.6.1 *Mariposa Deposit Resource Assessment*

This is a very similar type of deposit to Oceana and can be treated in a like manner. SMGC estimated the resources for a West Lode (Table 13) and a series of East Lodes (Table 14) (Tear 2006b). They expressed a significant lack of confidence in the continuity of the shallow mineralisation for the East Lode on the basis of a paucity of drilling detail.

Resource estimation parameters for the West Lode included a 50m search radius, with no top cut and an average overall density of 3.15t/m^3. The resource remains in the Inferred category due to the lack of accurately surveyed drill collars and that there are no density measurements on the Mariposa drillcore.

Table 13 — SMGC Resource Estimates — Mariposa West Lode (Tear 2006b)

Classification	*Volume m^3*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Inferred	132,973	418,865	5.51	1.25	59.3
Total	**132,973**	**418,865**	**5.51**	**1.25**	**59.3**

(Cut-off grade based on 1% lead and/or 1% zinc and/or siderite alteration)

SMGC completed a hypothetical scoping study for an underground operation (Figure 8) on this Inferred Resource which indicated that 276,347 tonnes at 10.5% lead, 2.8% zinc and 57g/t silver could possibly be economically extracted (Reid, 2006b).

Cadwallader in the 1950's produced a resource for North Broken Hill citing that the "diamond drilling programme has confirmed an essentially continuous ore occurrence over a length of 460 feet". This resource amounted to two blocks, A and B, which contained 99,300 tons (presumably short tons) at 7.3% lead 1.5% zinc and 4 oz silver (assumed to be troy ounces).

Resource estimation parameters for the East Lodes included a 40m search radius, with no top cut and a base density 2.7t/m^3. A considerable lack of confidence in geological continuity was expressed by SMGC.

Table 14 — SMGC Resource Estimates — Mariposa East Lode (Tear 2006b)

Classification	*Volume m^3*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Inferred	57,360	154,872	4.13	3.82	68.4
Total	57,360	154,872	4.13	3.82	68.4

(Cut-off grade based on 1% lead and/or 1% zinc and/or siderite alteration)

(Cut-off grade based on 1% lead and/or 1% zinc and/or siderite alteration)

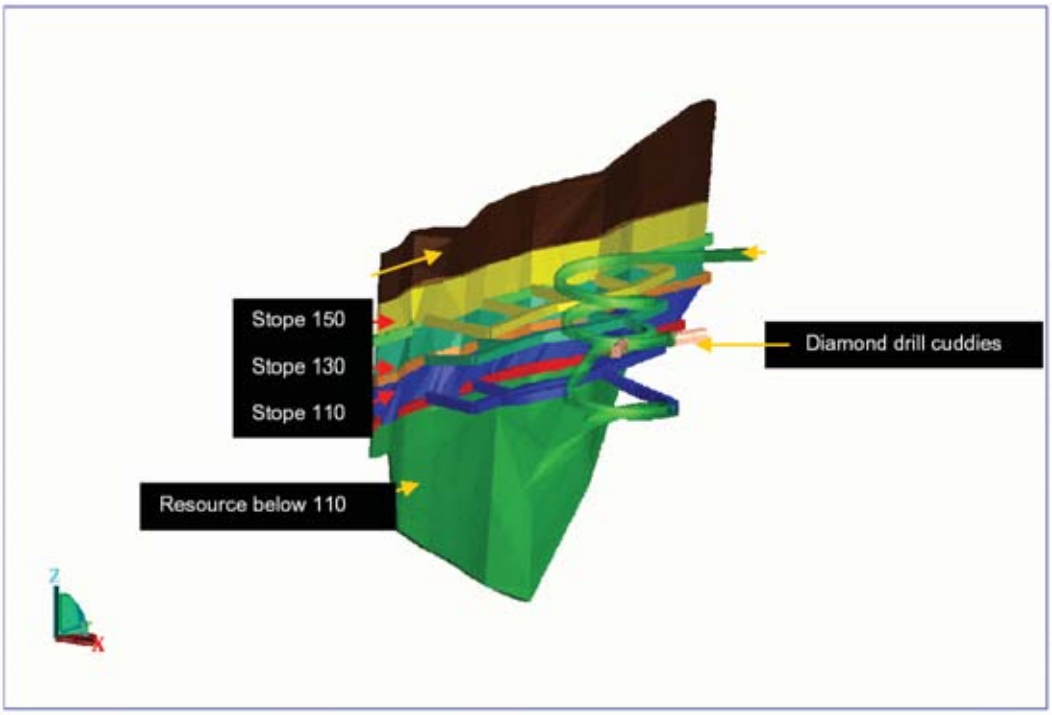

Figure 8: Mariposa West Lode Conceptual Underground Mine Design (Reid 2006b)

2.5.7 Total Resources

Zeehan Zinc's total resource inventory is listed in Table 15. It should be noted that the tonnage and grade figures have been rounded off in order to reflect the level of accuracy with the resource estimation.

Table 15 — Zeehan Zinc Resource Estimates (Tear 2006d)

Deposit	*Resource*	*Cut-off Grade*	*Tonnes*	*Lead %*	*Zinc %*	*Silver g/t*
Allison's	Measured[1]	1% zinc	35,300	1.5	5.7	29
	Measured[2]	N/A	3,300	14.5	21.5	540
	Indicated[1]	1% zinc	59,400	1.1	4.8	23
	Inferred[1]	1% zinc	3,600	0.7	2.3	17
Main Lode	Measured[2]	1.5% lead+zinc	5,000	3.2	4.1	40
	Inferred[2]	1.5% lead+zinc	12,700	1.7	4.3	24
Balstrup	Inferred[2]	Not supplied	4,600,000	3.3	5.7	35
Oceana	Indicated[3]	1% lead	666,000	5.2	2.3	30
	Inferred[3]	1% lead	938,000	2.6	1.2	16
Mariposa	Inferred[4]	1% lead	574,000	5.1	1.9	62
	Inferred (total)		6,128,300	3.4	4.7	35
	Indicated (total)		725,400	4.9	2.5	29
	Measured (total)		43,600	2.7	6.7	69
Grand Total			**6,897,300**	**3.5**	**4.4**	**34**

ZZL holds 100% Equity in all deposits tabled above.

Note:
1. SMGC Report (Tear 2005d) November 2005
2. Cotlco Report (Cottle 2005b) September 2005
3. SMGC Report (Tear 2006a) February 2006
4. SMGC Report (Tear 2006b) January 2006

All resources have been described as being reported to JORC (2004) Standards by Competent Persons as defined by JORC (2004).

2.6 Mining Operations

The Zeehan Zinc lead, zinc and silver assets are situated within close proximity to one another which should allow the Company to selectively mine each resource in turn and utilise a central processing plant.

Zeehan Zinc has a Permit (P8/2001) to carry processing of 200,000 tpa of ore. The Company has applied to the Director of Environmental Management to have this increased to allow a throughput rate of 400,000 tpa. The Company anticipates approval to be imminent and that its forecasts of mining output (400,000 tpa) and ensuing expectations for concentrate production can be realised, with reference to the Mining Lease Renewal Terms offered by the Minister for Economic Development and Resources, Tasmania (Letter dated 26 May 2006).

According to Zeehan Zinc, it currently plans to mine the deposits in the following order, to achieve an initial annualised ore production of 400,000 tpa:

1. Allison's Lode
2. Oceana
3. Main Lode
4. Balstrup
5. Mariposa

This information was provided by the Company, based on the assessed resource base and the licencing currently offered through MRT, within which the Company's expectations might likely be realised through continued exploration success.

In order for mining to commence, Zeehan Zinc will first be required to complete the gravity mill which is near completion at the Comstock Site and to construct a tailings dam. The Company anticipates that the gravity plant will be ready for operation by second quarter 2007, and, the construction of the tailings dam is anticipated to be completed during March 2007, as dry weather will be required to assist the construction phase, a commissioning during the second quarter of 2007 is considered most likely.

In addition, a flotation circuit will need to be constructed and installed ahead of the startup of the production of lead and zinc concentrates. Work on the flotation circuit will be accelerated promptly following the listing of the Company on AIM, with commissioning and startup of concentrate production currently planned during 2007.

Prior to the completion of the flotation circuit, Zeehan Zinc plans to commence mining of the Allison's Lode and to stockpile this output after treatment through the gravity mill. This will allow Zeehan Zinc to fully utilise the capacity of the flotation circuit upon its completion.

Minserve (2006), with regard to the development of the Allison's Lode, and given the more discrete nature of each of the deposits commented, that the "operations are well suited to the use of contract mining using local contractors based around a small sized excavator and truck operation, removing the ore and waste in 4m flitches from the top of the deposit downwards. Such an operation would be an extension of the most recent mining carried out by Zeehan Zinc in 2000/2001.

Within the Allison's Lode deposit, there is a definite boundary between the mineralised ore zone and waste rock. The ore is harder and denser than the waste and dips sub-vertically. The waste is capable of being free-dug by a backhoe excavator without blasting and exploration drilling indicates that this is likely to occur for the full extent of the Allison's deposit open cut. Ripping of waste by bulldozer can be used to assist the backhoe if needed. No drilling and blasting of the area is anticipated. This will allow waste to be excavated easily up to the boundary with the ore.

A selective mining approach is envisaged with a backhoe generally loading a truck on the bench below it, wherever possible, to take advantage of the greater productivity this affords the operation. Mining would generally commence at the southern end of the bench and advance to the north.

The steep dip of the ore allows grade control practice to be readily transferred down to the bench below. Mineralised areas with or without talc can be mined and stockpiled seperately to allow suitable ore to by-pass the pre-concentration gravity circuit wherever this is possible.

Waste mined will be trucked and used to backfill the South Comstock open cut, an average one way haul of 500m (Minserve 2006).

The Oceana deposit will be mined in a somewhat different manner as the mineralisation is contained within massive clays which are very soft to mine. The Oceana open cut could utilise the continuous use of a grader to mine the ore which would then need to be loaded in to the Oceana primary treatment circuit before being trucked 10km to the Comstock central processing facilities.

However, for all of the Zeehan Zinc mineral deposits contract mining operations will be employed generally using excavators, graders, rollers, loaders, and trucks. It is not envisaged that drilling and blasting will be required.

Figure 9: Gravity Plant under construction at Comstock Central Processing Facility

2.7 Milling and Flotation

Consultant Metallurgist, Nicholas Moony (2006), has advised A&S that the Comstock gravity plant and flotation circuit has been designed to treat a wide variety of base ores as follows:

- Low-grade zinc ores that are near surface and talc rich (Comstock).
- Low-grade lead ores that contain massive clays (Oceana).
- High-grade zinc ores with massive sulphides (Comstock).

Accordingly, with the near surface ores (as is evident within the Zeehan Zinc mineral deposits) it is mandatory to remove talc before sulphide flotation, and removing clay does improve flotation.

This is done in two ways: 1) by gravity separation and 2) floating the talc before sulphide flotation.

Generally, the pre-concentrates will be crushed to 80% passing 8 mm then pre-concentrated in an in-line jig circuit to remove talc and increase the zinc grade to acceptable flotation levels of around 10% zinc. It is expected that about 12% zinc will report to the in-line scavenger tailing as a loss.

At this point the pre-concentrate is blended with the high grade ore which has been crushed to approximately 80% passing to 12 mm, where the ores are blended and then ground in a conventional ball mill (≈ 1,200 kW) cyclone circuit to about 80% passing to 106μm.

The flotation feed rate will be about 46 tph (400,000 tpa) at 42% solids The cyclone overflow is then pumped to the talc flotation circuit, and it is expected that only a Frothier will be added. The talc float (froth) is then pumped to a Kelsey jig, the Kelsey concentrate is re-ground to about 80% passing 53μm and returned to the talc circuit and the Kelsey tailing is rejected. A 2% zinc loss is expected in this stream. The circuit will have 15 minutes retention time.

The talc sink is pumped to a three stage lead circuit with at least 50 minutes retention time in the rougher / scavenger circuit and there will be 30 minute retention time in the cleaners and a column may used to recover the fast floating galena. The circuit will run at an approximate pH of 8.5, and reagents added include lime for pH control, zinc sulphate for sphalerite depression, sodium metabisulphite for pyrite depression and the phospine reagent 341A as a collector. All the cleaner tails and scavenger concentrate will be reground to about 80% passing 53µm. It is expected to produce a lead concentrate assaying 65% to 70 % and about 1,000 g/t silver.

Recovery of both metals should be about 85% of the metals in the flotation feed. It may be possible to remove a coarse high-grade gravity concentrate before flotation using jigs, however, this circuit is yet to be finalised.

The lead tailings will report to the zinc circuit. This circuit will consist of an open rougher circuit designed to produce a fast floating concentrate that will report directly to the final zinc concentrate. This circuit will consist of separate conditioners, where only starvation addition of reagents are added, the circuit will have only 10 minutes retention time, it is expected that 40% of the zinc will be recovered in this circuit assaying about 54% zinc. The open rougher tail feeds a three stage zinc circuit with at least 60 minutes retention time in the rougher / scavenger circuit and there will be 20 minutes retention time in the cleaners. All the cleaner tails and scavenger concentrate will be reground to about 80% passing 45µm, and tails returned to the head of the conventional roughers.

It is expected to produce a zinc concentrate assaying about 50% zinc in the closed circuit. Overall, zinc recovery should be about 92% of the metals in the flotation feed and the combined concentrate will assay about 52% zinc and 8% iron. This circuit will operate at a pH of about 11.5; reagents added will be copper sulphate to a sphalerite, and sodium ethyl xanthate as collector.

Both concentrates will be filtered in Chinese drum filters, which according to Moony (2006) “are excellent and cheaper than Larox”. The filter cakes will contain about 8% water.

Concentrates will be transported to the Burnie wharf by road, and rail if deemed practicable (see Figure 1). The concentrates will be transported in covered trucks/wagons, however, it is not deemed necessary to confine the concentrate to sealed drums at this point. At Burnie there are large established concentrate handling and sampling facilities.

Tailings will be deposited in a tailings dam with a ring main disposal system. All water will be returned to the process water dam through a decant system, flocculants may be added to insure clear return water.

According to Moony (2006), Oceana ore should be easy to mine because of the high clay content. It will be fed into a Sandvik primary crushing circuit in preparation for transport to the Comstock site for washing and processing through the Comstock flotation circuit.

This ore will be up-graded to approximately 12% lead and 5% zinc by utilising the in-line jig pre-concentration circuit. Recovery of both lead and zinc into the pre-concentration circuit will be about 85%. The pre-concentration tails are rejected at this point.

The mill will be controlled by a JK Centre PLC system and monitored by an Amdal ISA system.

The mill has been designed by Zeehan Zinc to allow easy maintenance, control, cleaning and operating. Agitair flotation cells will be used with automatic level and air control. This design is used due to it being robust, handles coarse particles and works particularly well with lower density feedstock.

A&S has not sought to independently verify the milling process, but, has relied on the design provided by Moony (2006).

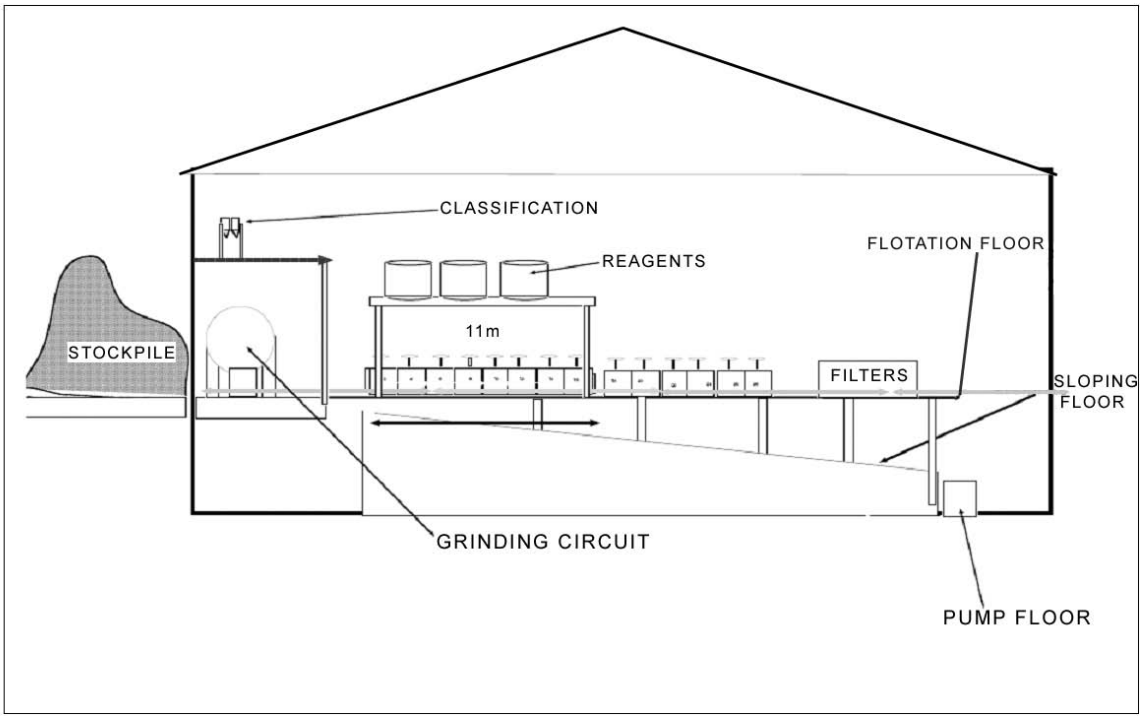

Figure 10: Schematic design of Mill and Flotation Plant
Source: Moony (2006)

2.8 Exploration

2.8.1 Exploration Acreage

ZZE is the holder of Exploration Licence's EL20/2002, EL30/2002 and EL18/2003. The Company's exploration acreage is summarised in Table 2.

EL20/2002 is located to the east of Zeehan township and contains one Mining Lease (ML2M/2005) and one Mining Lease application ML4M/2006, covering the Oceana and Mariposa deposits respectively. EL30/2002 surrounds the OT Comstock Site Mining Leases ML43M/1985, ML19M/1995, ML123M/1947 and ML9M/2002. Exploration Licence EL18/2003 is composed of two parts. The larger area lies to the south and is adjacent to the Comstock Site while the smaller area lies immediately west of EL30/2002. It is A&S' understanding that all of these Exploration Licences are in good standing and represent valuable assets of the Company.

Based on our observations and interpretations we believe that Zeehan Zinc has a good understanding of the different geological models relevant to the various base metal deposits in the Zeehan area.

This geological understanding, combined with the perceived lack of historical drilling, offers exploration potential for the discovery of additional base metal mineralisation. It is interesting to note that recent drilling at Allison's Lode has indicated the presence of further mineralisation in this vicinity.

2.8.2 Future Exploration Activities

In the information supplied by Zeehan Zinc its future exploration activities are to be predominantly focused on the continuing appraisal of several areas of mineralisation already identified. We have included below, in Table 16, the anticipated near term exploration drilling activities to be performed throughout the sites of Zeehan Zinc's exploration and development targets. The success of this drilling programme will greatly assist the Company to improve its JORC classifications and provide the potential to expand mining operations in to the future.

Table 16: Drilling /Assay/Assessment Programme

Deposit	*Estimated date of drilling*	*Metres drilled*	*Proposed (P) or Completed (C) drill holes*	*Proposed date for assays to be reported*	*Proposed Completion of Metallurgy*	*Calculation of Resources and/or Reserves*
Oceana Deposit	March 2006	665.5	(C)	30 Oct 2006	30 Jan 2007	Feb 2007
Main Lode — North (Comstock)	April 2006	775.5	(C)	23 Oct 2006	20 Jan 2007	Feb 2007
Main Lode — South (Comstock)	April 2006	290	(C)	4 Dec 2006	20 Feb 2007	March 2007
Allison's Lode North (Comstock)	May 2006	917	(C)	10 Nov 2006	10 Jan 2007	Feb 2007
Allison's (Comstock)	Jan 2007	1200	(P)	March 2007	May 2007	August 2007
Balstrup Fault (Comstock)	Jan 2007	600	(P)	March 2007	May 2007	June 2007
West Comstock (EL30/2002)	Feb 2007	500	(P)	April 2007	June 2007	July 2007
Mariposa Deposit (EL20/2002)	March 2007	2000	(P)	May 2007	July 2007	Aug 2007
Bendall's Fault (Comstock)	March 2007	200	(P)	May 2007	July 2007	Aug 2007
Sylvester Deposit (Comstock)	April 2007	1000	(P)	June 2007	July 2007	Aug 2007
Britannia Lode (Comstock)	May 2007	1000	(P)	July 2007	Aug 2007	Sept 2007
Susanite Lode (Comstock)	May 2007	650	(P)	July 2007	Sept 2007	Oct 2007
Central Balstrup (EL30/2002)	June 2007	500	(P)	Aug 2007	Sept 2007	Oct 2007

Source: Zeehan Zinc — January 2007.

NOTE: *Resource Assessments for some of the Oceana and all the Main Lode drillholes were not available during the writing of this report.*

3. Valuation of Mineral Assets

3.1 Valuation Summary

Table 17 provides A&S' valuation estimates and the valuation method for Zeehan Zinc's mineral assets. The valuation method is discussed in detail below. As at the date of this report, we estimate the value of Zeehan Zinc's mineral assets under A&S' preferred Scenario 1 (400,000tpa) to be $172.8 million on a pre-corporate tax basis and for Scenario 2 (800,000tpa) to be $254.9 million on a pre-corporate tax basis.

Table 17 — Valuation of Mineral Assets

Valuation	*Valuation Method*	*Scenario 1*	*Scenario 2*
Mining Leases: Comstock Site (Allison's Lode, Balstrup Fault, Main Lode including West Lode) and Oceana Deposit and Mariposa Deposit[1]	NPV of future cash flows	$149.2 million	$231.3 million
Exploration Licences: EL 20/2002, EL 30/2002, EL 18/2003	Multiple of Exploration Expenditure	$23.6 million	$23.6 million
Total		$172.8 million	$254.9 million

NOTE:
(1) Mariposa Deposit is currently the subject of a Mining Lease application.

3.2 Introduction

In providing our valuations we have followed the provisions of the Valmin Code of the AusIMM in undertaking our assessments of the tenements.

In general, a valuation is derived by considering a technical value, reflecting the assessed future net economic benefit of the project, which can be adjusted by way of premium or discount for given market and other conditions presently applicable to determine a fair market value. With this in mind, the application of standard valuation methodologies, while possible, may not indicate a realisable value, as the ability of a potential purchaser to utilise the asset for commercial advantage or otherwise gain from its ownership, may not be achievable.

In assessing the value of Zeehan Zinc's tenements we are mindful that most of the Company's resources contained within its development properties are according to JORC (2004) guidelines, classified as being

Inferred Resources. At the Comstock Site, the majority of the Allison's Lode has been classified as a Probable Reserve, and the Main (West) Lode and Oceana Deposit have been partly classified as Measured and Indicated Resources respectively by Simon Tear.

Mr. Tear, who is a Competent Person as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC (2004)), undertook an independent review of all Resources figures provided in this report. Mr. Tear sought to understand the validity of the resources data provided by Zeehan Zinc and determined the validity of these Resources classifications. As part of this process he also assessed all previous reports and analyses.

Given that the resources are JORC classified, therefore signaling that there is a degree of certainty associated with them, A&S believes that it is appropriate to use this data in calculating a potential value for the development assets. We caution, however, that the valuations derived from these resources have been obtained from calculations involving, anticipated conversion ratios for generating mine inventory, and financial models that have utilised a range of assumptions that may or may not be appropriate under other economic conditions and that may vary with time inside and outside the control of Zeehan Zinc.

Where practicable, we endeavoured to identify that the input data provided in the various reference materials were valid, appropriate or calculated according to established principles. Where we could not satisfy ourselves as to the veracity of the figures we took steps, as deemed appropriate, to ensure that the information that we used was valid. Where A&S has used data provided by Zeehan Zinc management or other consultants, we have credited the sources of our information.

The Company's exploration properties have all been subjected to significant prospecting, exploration and small scale mining activities over many years. In recent years the Company has tended to focus its exploration activities on attempting to identify ore bodies in close proximity to pending mine developments in an effort to provide greater surety of feedstock for its milling operations. While little "grass roots" exploration work has been undertaken the Company does have an extensive list of potential mineral resource targets identified from earlier mining and exploration activities within these exploration properties.

All references to dollars within this report are to Australian Dollars except where specifically identified.

3.3 Valuation Methods

The commonly used valuation methods for mineral assets that we have considered, and/or adopted where considered appropriate, to determine the value of the mineral assets of the Company, include:

- The Orderly Realisation Of Assets method
- The Net Present Value Of Future Cash Flows method
- The Multiple Of Exploration Expenditure method
- Joint Venture Terms
- In Situ Values Method
- Comparable Transactions method
- The Alternative Acquirer method
- The Capitalisation Of Future Maintainable Earnings method

Of all these methods we determined that the *Net Present Value Of Future Cash Flows* method was the most appropriate for valuing the Company's development assets and the *Multiple of Exploration Expenditure* method the most appropriate for its exploration tenements. All other methods reviewed proved unacceptable for various technical or financial reasons.

The *Net Present Value of Future Cash Flows* or Discounted Cash Flow ("DCF") valuation method is based on the premise that the value of a business is the net present value of its future cash flows. In the mining business, this method requires assessment of:

- mineral reserves, resources, and conversion factors;
- appropriate mining and processing methods to exploit and market those reserves; and
- analysis of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.

This technique is particularly appropriate for a minerals investment with defined reserves and/or resources and is the most common approach to valuation in the minerals industry. A&S regards this methodology as being the most appropriate for valuing the development assets of Zeehan Zinc.

In our calculations we have assumed that Zeehan Zinc successfully retains the rights to mine the Comstock and Oceana areas for a period greater than the current Mining Lease approvals through a continuation of successful conversion of Inferred Resources to Reserves and additions to total Resources through appraisal activities and drilling. We have used two production scenarios but maintained constant contained metals grades and pricing scenarios, based on lead, zinc and silver price assumptions determined from historic and assumed prices to produce a low and a high value range.

We have used the "Multiple of Exploration Expenditure" method to estimate the realisable (market) value of Zeehan Zinc's exploration properties. While ordinarily this method is used to assess value for a "grass-roots" exploration property, A&S has not been able to identify any other methodology that is appropriate for valuing what could be described as the "reasonably mature" exploration properties owned by Zeehan Zinc. Accordingly, we have modified slightly the application of this method to take into consideration this "maturity" aspect. In this method, the total historical costs of acquiring and exploring the property up to the present point in time, plus committed and approved future exploration expenditure, is taken as the base. To this is applied an "exploration effectiveness multiplier", a measure of the usefulness of the expenditure to the development of future exploration programmes and the effective equity interest.

The result is adjusted by applying a "prospectivity enhancement multiplier" ("PEM") representing the valuer's opinion of the Company's potential success (or otherwise) in upgrading the prospectivity of the property. This factor would normally lie in the range of 0 to 3, with zero representing a complete write-off, and a value greater than one applying where exploration had successfully upgraded the property. The selection of the appropriate enhancement factor is subjective and dependent on the valuer's experience and judgement.

3.4 Limitation of Assumptions

3.4.1 Timing

There remains many timing issues relating to the startup of mining operations, including the timely receipt of statutory approvals and licence tenure, execution of offtake agreements, contracting of mining operators, staffing, world metal prices, foreign exchange rates, construction of the Comstock flotation circuit, construction of the tailings dams, and general constraints relating to equipment procurement.

A&S is aware that variations to the timing of these issues may have a material impact on the potential value of the Company's assets.

3.4.2 Commodity Prices

Global commodity prices, in this instant specifically lead, zinc and silver, have appreciated considerably over the past two years and in particular the last six months, as a function of increased demand and declining global production. Demand is being driven by increased consumption in China and India and supply has been falling from the historical production centres.

A&S has used the following long term price expectations within our valuation and projected cashflow forecasts:

- Lead = US$1,275 tonne
- Zinc = US$2,800 tonne
- Silver = US$9.00 ounce

We have decided to hold these values constant throughout the anticipated production profile of the Zeehan Zinc mines, together with the assumption that all other values within the financial model, and the ensuing cashflow forecasts, should be represented as nominal inputs that are not escalated nor deflated over time. Commodity prices are highly variable over time thus our nominal value approach does not attempt to speculate on the cyclical and variable nature of the global market place.

3.4.3 Foreign Exchange Rates

The Company's mine and concentrate output are priced in US$ terms in conformity to global trading practice. A&S has used consensus opinion data for the application of a A$ to US$ exchange rate of 0.75:1 within the cashflow forecasts of Zeehan Zinc.

Foreign exchange rates can be highly variable over time and are impacted by global variations in volatility, speculation, and market lead macro-economic valuations on a day-to-day time scale. Accordingly, we have used an input variable for foreign exchange between the US$ and the A$ which is a constant value over time, in nominal terms. This foreign exchange value may vary significantly from this value, however, we have assumed the position that the market's volatility is extremely difficult to predict and that a non-spectulative approach should be taken within the Zeehan Zinc cashflow forecasts and ensuing valuation.

3.4.4 Capital Expenditure

The capital expenditure expectation for the Comstock Site includes expenditure to complete the gravity mill crushing plant, construct a tailings dam and construct the flotation plant. A&S has discussed with Zeehan Zinc and its consultant Nick Moony the expenditure forecasts and we believe that the forecasts provided by the Company are realistic.

A&S has reviewed the capital cost expectations of the Company of A$25.7 million, in line with the following breakdown:

Deposit	*Capital Cost*
Comstock	A$12.0 million
Oceana	A$ 1.7 million
Mariposa	A$12.0 million

The Company's expectation of capital cost has been derived from a desire to construct a crushing, delivery, and flotation infrastructure that has a capacity of at least 800,000 tpa, or an approximate day-to-day operational capacity of approximately 100 tph.

A&S has sought to verify these capital expectations through extensive discussions with the Company and its consultants so that the capacity of the installed plant could match the in-ground resources of Zeehan Zinc and provide a capacity that could be utilised through the continuation of successful development and exploration activities.

3.4.5 Operating Costs

Within the financial model provided to A&S by Zeehan Zinc the operating costs associated with the mining and milling operations have been set-out as per the expectations of Zeehan Zinc. These operating costs have been gleaned from earlier trial mining at the Comstock mine site and preliminary discussions with mining contractors. Mining costs were utilised by Minserve (Jan 2006) in its assessment of the project development, and at that time the mining costs were viewed as conservative. A&S has not been able to independently verify these cost expectations.

The strip ratios anticipated by Zeehan Zinc within the Comstock area are 2.5:1 and 3.5:1 for the Balstrup Fault deposit.

Set out below are the anticipated operating cost expectations for the A&S preferred production of 400ktpa:

Comstock	*A$ per tonne (ore)*
Fixed/Overhead	7.1
Mining Costs	14.9
Milling/Processing	12.2
Transport	31.0
Oceana	
Fixed/Overhead	7.1
Mining Costs	10.5
Milling/Processing	18.0
Transport	31.0

The Comstock mine site is the central processing facility for the Zeehan Zinc operations which includes several open cut mines, which although they are in close proximity, operating costs are expected to vary specifically due to the differences in the deposit — by deposit mineralogy.

A&S understands that the mining and milling cost expectations are inclusive of these variables, however, A&S has not been able to obtain sufficient information to be able to specifically identify these variables within the cost forecasts provided.

We have assumed that operating costs for the Mariposa deposit mining will be consistent with the operating costs set-out above for the Oceana deposit, although mining costs are expected to increase to A$40 per tonne due to the underground mining required.

At this point A&S has not changed these unit cost expectations when increasing the production rate to 800ktpa.

3.4.6 Milling Operating Costs

The milling and flotation operations costs have been provided by Zeehan Zinc's consultant Nick Moony (2006). The milling and flotation plant has been designed and costed with a throughput capacity of up-to 800,000 tpa, or approximate equivalent of 100 tph.

Milling costs are anticipated at approximately A$12.2 per tonne of ore handled at the Comstock Site deposits and A$18.0 per tonne for the Oceana and Mariposa deposits.

Transport costs associated with freighting the concentrate to the port of Burnie (Figure 1) account for between 50% to 60% of the overall operating costs, and have been calculated on an ore equivalent basis of around $31.0 per tonne. This transport cost has been provided by Zeehan Zinc and A&S has not been able to independently verify its source or accuracy.

3.4.7 Royalties

As stipulated by the Mineral Resources Development Act (1995), Zeehan Zinc will be required to pay the government of Tasmania State Royalty of about 2% of the mine gate value of its production.

In addition, Zeehan Zinc has a royalty agreement with Zinifex which provides for a 5% royalty payable to Zinifex on net smelter return basis from the Mining Lease ML123M/1947. This area includes the Allison's Lode and Main Lode, and may include part of the Balstrup Fault deposit if it can be shown that geologically it extends into Mining Lease ML123M/1947.

3.4.8 Conversion Factors

Most of the resource assets of Zeehan Zinc have been classified under the JORC (2004) as Inferred resources. Tear (2006) and SMG (2006) have provided data which illustrates the conversion ratio of Inferred resources to reserves for the Allison's Lode (Comstock) and Inferred resources to Indicated resources for the Oceana deposit. Although the table below shows that the conversion ratios achieved have been in excess of 97% for the Allison's Lode we have determined that a reasonable conversion ratio of 75% should be applied to the Inferred Resources contained within the Zeehan Zinc development assets and we have used this figure in our valuation estimations.

Table 18 — Resource to Reserve Conversion Factors

Resource to Reserve Conversion Factors
Oceana Deposit

	Tonnes	*Lead %*	*Zinc %*	*Silver g/t*
Planned mineable resource to 1070mRL	1,076,491	4.6	2.0	27.0
Resource down to pit floor at 1070mRL	1,386,991	3.8	1.7	22.5
Total resource to 1000mRL	1,603,678	3.7	1.7	21.9
In pit resource to reserve conversion %	**77.6**			
Total resource to reserve conversion %	**67.1**			

Allison's Lode

	Tonnes	*Lead %*	*Zinc %*	*Silver g/t*
Mining reserve	95,581	5.2	1.3	26.0
Defined resource	98,228	5.0	1.2	25.0
In pit resource to reserve conversion %	**97.3**			

Source: SMGC (2006)

3.4.9 Mining Programme

Zeehan Zinc has provided two different scenarios under which it could bring its mineral resources into production:

Scenario 1 provides for an annualised ore mining rate of 400,000 tpa over a currently anticipated mine life of 14 years. This scenario incorporates the timing elements of the construction and commissioning of the crushing plant, tailings dam, and flotation plant. Accordingly, under this scenario once the crushing plant has been completed a reduced volume or ore will be crushed to a pre-concentrate form and stockpiled ahead of the completion of the tailings dam and the commissioning of the flotation circuits. Under this scenario a total of 4.8 million tonnes of ore will be extracted over the life of the mine.

Scenario 2 has been provided to A&S with an increase in the annualised ore mining rate to 800,000 tpa, and has incorporated hypothetical assumptions that would allow the crushing plant, the tailings dam, and the milling plant to be completed sooner than the assumptions contained within Scenario 1. Under this scenario, mining operations would commence in the second quarter (calendar) of 2007 at 400,000 tpa, and will increase to 800,000 tpa by the end of the second quarter 2008. A&S has not been able to verify the feasibility of this scenario,

particularly in light of the risks involved with the procurement of equipment and an overall state of readiness for operations to commence in the timeframe supplied.

Within the scenario financial models allowance has been made for the dilution factors associated with losses which are incurred in the milling and processing of the mined ore. The process efficiency has been calculated by the Company's consultant Nick Mooney, with these calculations incorporated into the financial models. Table 19 illustrates the respective recovery factors assumed for pre-concentrate and concentrate production.

3.4.10 Offtake Agreements

Zeehan Zinc has not entered into formal arrangements for the sale of its concentrates, however, A&S has been informed by the Company that initial discussions have been held with several potential buyers. We have been informed that Zeehan Zinc is proposing to sell its lead, zinc and silver concentrate either at the mine gate and/or deliver its product to the port of Burnie, and/or through to the refinery operations of its customers.

The commercial terms of these negotiations have been allowed for within the Company's financial forecasts.

3.4.11 Environmental Management and Site Rehabilitation

At the end of March 2006 environmental consultants SEMF completed an Environmental Management Plan Review of the Comstock Mine for Zeehan Zinc. The review illustrates that the Company's operations have "undergone several improvements in environmental performance" during the period from 2003 to 2005 and, accordingly, Zeehan Zinc has complied with the relevant environmental permits and has made commitments to future improvements and mine management to secure a "best practice" operation.

An application was made to the Department of Primary Industries, Water and Environment on 19 April 2006 (now named the Department of Tourism, Arts and Environment) to increase the production of minerals processed from 200,000 to 400,000tpa.

A conceptual Decommissioning and Rehabilitation Plan (DRP) for mining operations at the Comstock Mine has been developed by SEMF. The DRP provides, but is not limited to, a description of the areas that will need to be rehabilitated following mine closure, the rehabilitation principles that will be followed during mine closure, and the rehabiliation procedures that will be utilised for each area over the Comstock Site.

The Company has informed A&S that it will provide for mine rehabilitation at end of mine life through a provision for a total of $2.5 million for both production scenarios (see Table 19). This provision has been included within the cashflow forecasts.

3.4.12 Risks

As the Company is preparing its development assets for the commencement of mining there are several risks associated with such a brownfield operation. Issues other than those outlined within the Timing section above, include the Company's ability to attract and retain a sufficient labour force. The Company is planning for a labour force of:

- Comstock Site: 47 employees plus 20 Contractors,
- Oceana Site: 12 employees plus 12 Contractors.

A&S has not been supplied with information as to the progress or otherwise of the Company's negotiations with the required work force requirements and has relied solely upon verbal discussion with Company executives and staff that these issues are being addressed.

Also, as a consequence of the rapidly expanding mining industry throughout Australia, equipment procurement could be impacted by the high levels of demand, particularly regarding even small issues such as replacement tyres for the contracted mining equipment. This is an operational risk that will need to be managed through the Company's relationships with the individual mining contractors. Lead times for the ordering and consequent delivery of crushing and milling equipment could also be extended, again due to the high levels of demand throughout Australia. The Company has informed A&S that some of the infrastructure required for the flotation plant is already at hand, however, control mechanisms would need to be competitively ordered.

Zeehan Zinc is in the process of re-securing an on-going tenure over its Mining Leases (ML123M/1947, ML9M/2002 and ML19M/1995). A&S has been provided with legal documentation which would support the view that these tenures should be on-going, provided that Zeehan Zinc comforms with statutory and Ministerial requirements, including the payment of a $2.5 million environmental bond (as discussed in section 2.4.1). Zeehan Zinc will need to manage its ongoing relationship with MRT to ensure that political risk is managed.

3.5 Valuation Assumptions for Development Assets

The Zeehan Zinc model was provided in nominal terms.

Table 19 — A&S Principal valuation assumptions

Factor	*Assumption*	
	Scenario 1	*Scenario 2*
Operations:		
Production:		
Life of Mine	14 years	7 years
Total JORC classified Resources (million tonnes)*	6.89	6.89
Annual Production (tonnes)	400,000	800,000
Total production (tonnes)	4.8 million	4.8 million
Effective mine inventory conversion factor (%)	75	75
Recovery into a pre-concentrate (zinc)	88.0%	88.0%
Recovery into a pre-concentrate (lead)	84.0%	84.0%
Recovery into a pre-concentrate (silver)	85.0%	85.0%
Recovery into concentrate (zinc)	72.8%	72.8%
Recovery into concentrate (lead)	70.8%	70.8%
Recovery into concentrate (silver)	68.8%	68.8%
Capital Expenditure:(A$ million)	25.7	25.7
Operating Costs:		
Fixed Costs (A$/Tonne)	7.08	7.08
Mining Costs (A$/Tonne)	14.9	14.9
Milling Costs (A$/Tonne)	12.2	12.2
Transport (A$/Tonne of concentrate)	31.0	31.0
Financial:		
Long-term lead price (US$/t)	1,275.00	1,275.00
Long-term zinc price (US$/t)	2,800.00	2,800.00
Long-term silver price (US$/oz)	9.00	9.00
Long-term exchange rate US$/A$	0.75	0.75
Interest Rate (%)	8.5	8.5
Royalty — State (%)	2.0	2.0
Royalty — Zinifex (%)(1)	5.0	5.0
Discount Rate (%)	10.0	10.0
CPI (%)	3	3

Note:
(1) Zinifex royalty only applies to ML123M/1947

The assumptions reviewed as inputs to the financial model included:

- production volumes and timing assumptions;
- conversion ratios for resources to mine inventory;
- ore metal grades;
- metal recovery factors;
- contained metals in concentrates;
- valuation scenarios;
- capital expenditure, working capital and financing assumptions;
- metal price assumptions; and
- exchange rate assumptions.

A&S reviewed the data inputs to the model that involved geological resources, assumptions for mine planning, production schedules, metal recovery rates, metal concentrates, operating costs, transportation costs, metals prices and any other inputs that were regarded as being within A&S sphere of knowledge.

Metal price assumptions and foreign exchange rates have been held constant through the financial model. Operating costs have not been escalated or adjusted for inflationary expectations.

Each of the mine production scenarios provided by Zeehan Zinc has been reviewed and the discounted cashflow value of these operating possibilities calculated.

The financial model forecasts provided by Zeehan Zinc assume that the capital requirements of the development of its mineral assets will be funded by equity financing, thus, there is no provision for the impacts and/or effects of funding these capital amounts from sources other than equity capital. Accordingly, the valuations do not provide for interest payments or capital returns to project capital providers. If Zeehan Zinc were to fund its capital expenditure requirements from other sources of financing, this could affect the forecast values provided by the financial modelling.

3.6 Valuation of Development Assets

The value of the development assets of Zeehan Zinc has been estimated using two production scenarios contained metals grades and pricing scenarios held constant, and lead, zinc and silver price assumptions determined from historic and assumed prices. Scenario 1 production involves an expectation that the plateau rate of production will be approximately 400,000tpa, given the individual nature of each deposit's style of mineralisation, while the Scenario 2 production involves the production of a hypothetical maximum of 800,000 tpa equating to the maximum design capacity of the current plant.

Based on our review of the input assumptions of the financial models, we have determined that the value range of the Zeehan Zinc development projects to be between $149.2 million and $231.3 million. It should be understood that at this point the Company only has permission to produce at a maximum rate of 200,000tpa although an application has been made to increase this to 400,000tpa. The 800,000tpa profile developed by Zeehan Zinc has addressed several issues that will need to be overcome to achieve the desired level of production. A&S regards this profile as being optimistic but not unachievable. This production profile has been labelled scenario 2 and A&S has provided a valuation for the Company's mineral assets using this production level. A&S further understands that the Company intends to apply for an increase in approved mining volumes, however, no date has been determined for this application to be lodged.

Table 20 — Valuation of Zeehan Zinc Development Projects

Valuation	*Scenario 1*	*Scenario 2*
Comstock Mine (Allison's Lode, Balstrup Fault, Main Lode including West Lode) Oceana and Mariposa Deposits	$149.2 million	$231.3 million

3.7 Valuation of Exploration Assets

3.7.1 Introduction

In addition to its development projects the Company also holds ownership of three Exploration Licences. These are EL 20/2002, EL 30/2002 and EL 18/2003.

Information regarding the geology and mineralisation recorded within these tenements is provided in Section 2.3.

3.7.2 Valuation of Exploration Assets

Records of exploration expenditure for these areas have been reviewed commencing from 1980 through to July 2006. Table 21 illustrates the exploration expenditures and A&S' perceived effective exploration value attaching to each. Having reviewed these exploration expenditures for this period we have determined that a total of $9.45 million worth of effective exploration expenditure has been incurred on the properties during this period.

Table 21 — Exploration expenditures on predecessor and current exploration licences

Year	*Description*	*Effective Exploration Amount*
1980 – 1990	Drilling, geophysical surveys, assaying, South Comstock mine development	$1.50m
1990 – 1995	RGC exploration	$1.60m
1996 – 1999	Aerial EM, gravity modelling, general admin., consultants, computer modelling,	$0.50m
2000	(Oceania Tasmania P/L) general exploration (not detailed)	$1.99m
2001	(Oceania Tasmania P/L) near mine exploration	$1.32m
2002	OT near mine exploration	$0.44m
2003	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	$0.49m
2004	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	$0.43m
2005	(ZZ Exploration P/L) ELs, 20/2002, 30/2002, 18/2003	$1.18m
Total		**$9.45m**

Based on the geological information available on the Exploration Licences, A&S has determined that Prospectivity Enhancement Multipliers in the range 2.0 to 3.0 are realistic given that the exploration activities have shown that the area contains a considerable number of mines and workings but that to date none of these have received enough attention to warrant defining them within mining leases. However, the Company's exploration activity has most recently resulted in Zeehan Zinc applying for a Mining Lease ML4M/2006 over the Mariposa deposit contained within EL 20/2002.

Zeehan Zinc holds a 100% interest in all of its permits. Accordingly, a value has been placed on its exploration interests of $23.6 million.

Table 22 — Valuation of Exploration Permits

Item	*High Value*
Effective Exploration Expenditure	$9.45 million
Prospectivity Enhancement Multiplier	2.5
Equity holding (%)	100%
Value	**$23.6 million**

3.8 Sensitivity Analysis

We have undertaken a series of sensitivity analyses for both production scenarios. Table 23 illustrates the responses obtained by changing a number of parameters while maintaining others constant. A&S determined that the following input criteria would be reviewed:

- Foreign Exchange: 10% reduction in exchange rates
- Zinc Prices: 10% increase in zinc prices
- Lead Prices: 10% increase in lead prices
- Silver Prices: 10% increase in silver prices
- Operating Costs: 10% increase in general operating costs
- Mining Costs: 10% increase in mining costs
- Milling Costs: 10% increase in milling costs

Throughout each of the input variable sensitivity runs the discount rate applied to the Net Present Value (NPV) of calculated future cash flows was held constant at 10% for all the individual scenarios.

Table 23 — Sensitivities — Operating Variables

	Scenario 1		*Scenario 2*	
Operating Variable	*Value (million)*	*Change %*	*Value (million)*	*Change %*
Exchange Rate	$179.4	20%	$268.9	16%
Zinc Price	$170.7	14%	$258.9	12%
Lead Price	$156.7	5%	$239.7	4%
Silver Price	$150.7	1%	$233.3	1%
Operating Costs (total)	$134.4	-10%	$220.7	-5%
Mining Costs	$145.6	-2%	$228.6	-1%
Milling Costs	$140.4	-6%	$224.7	-3%

Further to the operational sensitivity analyses results, as above, Table 24 illustrates the scenario valuation (NPV) sensitivities to the application of different discount rates. These discount rates have been applied to the future annual cash flow streams produced from the Zeehan Zinc financial model, as provided to A&S.

Table 24 — Sensitivities — Discount Rate

Variable	*Scenario 1*		*Scenario 2*	
Discount Rate	*Value (million)*	*Change %*	*Value (million)*	*Change %*
9.0%	$159.6	6%	$241.6	4%
10.0%	$149.2	0%	$231.3	0%
11.0%	$139.7	-7%	$221.6	-4%
12.0%	$131.0	-12%	$212.4	-8%

3.8.1 Discussion

Table 23 illustrates the effects on the valuation of Zeehan Zinc should operating conditions vary.

3.8.1.1 *Exchange Rate*

The most prominent area of sensitivity for the Company's valuation comes from the pricing foundation of the Company's products (lead, zinc, and silver). These commodities are traded on a global market place which denotes pricing in US$ terms. These commodities are contracted on these US$ terms and translated at settlement to the 'local' currency. The US$ is a pre-eminent foreign currency which forms the basis upon which other currencies can be matched and the broader range of primary and secondary commodities are traded, with general reference to broader economic trading parameters. This report does not attempt to provide a guide to the basis of relative currency 'value', but does note that the Australian Dollar (AUS$) has traded at an historical discount to the value of the US$, generally across a range of 0.60:1 to 0.80:1 for the most part of the last 25 years.

The A&S valuation(s) has been calculated using a long term exchange rate assumption of 0.75:1.

In addition to the Company's products being primarily traded in US$ terms, the Company's treatment charges are also priced in US$ terms which increases the Company's cash flow sensitivity to changes in the AUS$:US$ exchange rate.

Varying the A&S assumed exchange rate assumption by +- 10% precipitates a commensurate change in calculated value of +-20% for valuation Scenario 1, and +-16% for valuation Scenario 2.

It could be expected that the Company will take the opportunity to reduce its sensitivity to fluctuations in the US$:AUS$ through appropriate hedging measures, which if put in place could increase the Company's operating costs into the future and have an impact on the A&S scenario valuations.

3.8.1.2 *Commodity Prices*

As previously discussed within this CPR, A&S has not attempted to value the assets of Zeehan Zinc with the incorporation of potential fluctuations in commodity prices for lead, zinc, and/or silver.

Zinc

With reference to Table 23, it can be seen that the Company's valuation is quite sensitive to changes in the assumed long term price of zinc. However, this sensitivity is somewhat less than the sensitivity to foreign exchange values. This level of sensitivity can be attributed to the long term price assumption of US$2,800/tonne, together with the volume of zinc in concentrate that the Company anticipates producing.

Lead

With reference to Table 23, it can be seen that the Company's valuation is somewhat less sensitive to changes in the assumed long term price of lead when compared to the valuation sensitivity for zinc. This is primarily a derivative of the difference in the individual commodity price assumptions used within the valuations, together with the volumetric projections for metal output.

Silver

Table 23 shows a very low sensitivity of the Company's valuation to changes in the assumed silver price, as the total value of silver produced is insufficient (when compared to the value of lead and zinc) and is not large enough to effect a larger valuation sensitivity. In this case, the market face value of silver and the silver in metal produced from the mining and concentration process is not sufficient to alter the A&S valuation for Scenario 1 and/or Scenario 2 for greater than +-1.0%, unless silver prices were to change markedly (above +/-10%) from the A&S assumptions.

3.8.1.3 *Operating Costs (total)*

Operating costs, as shown in Table 23, show an impact on valuation that is commensurate with the time period over which the mining operations are anticipated to be carried out. Under Scenario 1, a 10% increase (or decrease) in aggregate operating costs shows a 10% increase (or decrease) in valuation. This shows that the Company's valuation is susceptible to fluctuations in costs which are directly related to the time frame. In addition, this level of overall cost sensitivity should be read in conjunction with the valuation(s) sensitivity to changes in mining and milling costs.

3.8.1.4 *Mining Costs*

Due to the layout of the mineral deposits relative to the location of the Company's central processing facility, together with the (lode) style of the mineral deposits, the Company's valuation(s) show a relatively low sensitivity to physical mining cost variations. However, A&S has not been able to evaluate the valuation(s) sensitivity to direct implications of changes in electricity charges nor fluctuations in transport fuel costs.

3.8.1.5 *Milling Costs*

Relative to the Company's expectations of mining costs, our valuation(s) show are greater sensitivity to potential changes in milling costs. For Scenario 1, a 10% change in milling costs equates to a +/- 6% change in valuation, and for Scenario 2, a 10% change in milling costs equates to a +/- 3% change in valuation.

The difference in time period of mine life between Scenario 1 and Scenario 2 is responsible for the relative difference between scenario sensitivity, however, the importance of the impact of the relative higher costs involved with the milling of ore into concentrate and then transporting this product to market can be seen.

3.8.1.6 *Discount Rate*

Table 24, above, shows that the Company's valuation is sensitive to changes in the discount rate applied to the calculation of the Net Present Value of the forecast mining cash flows. Scenario 1 shows a higher sensitivity than Scenario 2 due primarily to the longer mine life of 14 years compared to 7 years assumed for Scenario 2.

4. Director's Interests

Oceania Tasmania Pty Ltd, which is the current holder of the Comstock Mining Leases ML43M/1985, ML19M/1995 and ML9M/2002, was acquired by Malcolm Bendall and David Bendall in 1982 through the purchase of the Minstock Group of companies.

On the 30 May 2001, Zeehan Zinc purchased Oceania Tasmania Pty Ltd from Malcolm Bendall and David Bendall Family Trust for consideration of $4 million.

Malcolm Bendall was a director of Zeehan Zinc, Bass Resources and ZZ Exploration (formerly Bass Boron) at the time of the acquisition of ZZ Exploration in August 2002 by Zeehan Zinc Limited. ZZ Exploration was purchased by Zeehan Zinc at this time for the consideration of A$1.00.

APPENDIX I

QUALIFICATIONS

Anderson & Schwab

Anderson & Schwab, Inc. is a management and financial consulting firm that has specialised in providing its services to the minerals industry for the past forty years. Its Australian subsidiary (Anderson & Schwab Australia Limited) was established in 1997.

Anderson & Schwab is structured as a virtual corporation in that it operates with a small core staff of industry experts and supplements its evaluation teams with well qualified industry professionals from its extensive global network who bring core competencies to each assignment. As such, the company is able to provide to a client the most knowledgeable industry practicioners with expertise directly focused on the assets to be evaluated.

Since its inception Anderson & Schwab has completed over four thousand assignments for a wide range of clients involved in, or ancilliary to, the resources industry. Clients range from resources companies through to financial institutions, governments and industry services providers. A significant portion of the company's business involves the provision of independent advisory services for assets acquisitions, due diligence on mineral assets valuations, sales of properties, strategic development plans for minerals commodities and providing independent evaluations of commodities markets.

Amongst its many assignments Anderson & Schwab was the technical specialist to Morgan Stanley Australia Ltd when that firm provided the Specialist's opinion concerning the dual listing of RTZ-CRA in 1995. The company reviewed all of the global operations of both companies and assessed the value of their respective exploration interests. In 1996, it was the lead consultant in advising Australian Diamond Exploration NL in response to a takeover offer by Ashton Mining Limited. A&S has provided Specialist's advice to Grant Samuel when that company provided an Independent Expert's Report to Aberfoyle Limited in relation to the takeover offer by Western Metals NL. It also provided Specialist's advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the Expert's Reports on the takeover offers by Rio Tinto for North Limited and Ashton Mining Limited respectively. Anderson & Schwab formed part of the project team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, formed part of the strategic review team that evaluated and valued the WMC Corridor Sands Project, and reviewed and valued the minerals assets and Stuart Oil Shale Project of Southern Pacific Petroleum.

Ian Buckingham, Managing Director of Anderson & Schwab Australia, is the firm's lead consultant in preparation of this CPR for Zeehan Zinc. Mr Buckingham was the leader of A&S' teams that worked on the Aberfoyle, North's, Ashton, WMC, Ok Tedi, PT Kideco, Corridor Sands and Southern Pacific Petroleum's valuation assignments. He has also undertaken a number of strategic development assignments on behalf of global mining groups.

The A&S team for this CPR consists of Ian Buckingham, Team Leader and Valuer and Simon Tear, a technical specialist. Their credentials appear below in summary form.

Ian D Buckingham

Ian Buckingham, is the Managing Director of Anderson & Schwab Australia Limited, and holds an MBA from RMIT University, Bachelor of Applied Science (Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology. He is a Member Petroleum Exploration Society of Australia and American Association of Petroleum Geologists.

He was a member of the Valmin Committee that has recently completed (2005) a review and up date of the Valmin Code for use in valuing minerals and petroleum assets.

Ian Buckingham has 34 years experience in the resources and finance industries. Commencing his career as a base metals, gold and diamonds exploration geologist he moved into gas engineering and petroleum exploration and development before establishing himself as a resources analyst in stock broking and investment banking. As an analyst he analysed, evaluated and developed financial models for major mining and energy companies. Since joining Anderson & Schwab he has worked on many projects where his knowledge and expertise in areas such as due diligence, valuation, commercial and technical analyses, concept and strategic development, financial modelling and general mining management have been required.

Simon Tear

Simon Tear is a Consulting Geologist and holds a BSc(Hons) Mining Geology (1983) from the Royal School of Mines, UK. He is a registered Professional Geologist — Institute of Geologists of Ireland PGEO, Member of the Australasian Institute of Mining and Metallurgy (MAusIMM), Member of the European Federation of Geologists EFG and a Member of the Institute of Materials, Metallurgy and Mining (MIOM^3).

Simon has twenty three years experience in the metals industry including geological evaluation and resource definition. He has had involvement in both underground and open cut mining operations. He has worked in several countries, eg Australia, Ireland, UK, Portugal, Germany, Finland, Indonesia and Iran, covering a variety of commodities and geological scenarios. His expertise includes geological interpretation, exploration management, resource evaluation, and geology consulting. He has worked for various companies including Rio Tinto, CRA, Noranda, Birla and Western Metals. He has also run his own consultancy business which included such clients as Billiton, Teck, Falconbridge, ASARCO, Goldfields and BUKA Minerals. In addition to his work with A&S, he is also a Consultant Geologist with Sydney-based consultancy Hellman & Schofield specializing in resource estimation.

Some of the projects with which he has had involvement are the Mt Gordon Copper Mines, Lady Loretta Lead/Zinc, Lady Annie Copper, Avebury Nickel, Cavanacaw Gold, Irish-style Lead/Zinc, Century Lead/Zinc Exploration Programme and numerous exploration projects including platinum group elements, gold, and base metals including nickel, silica sand and diamonds.

APPENDIX II

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APPENDIX III

GLOSSARY AND ABBREVIATIONS

In this CPR a reference to a gender includes a reference to each other gender, and the following terms have the following meanings wherever the context permits:

$, Dollars, A$ or cents	Australian dollars or cents (as appropriate).
Aircore Drilling	Method of rotary drilling in which cuttings and small core samples are recovered from the face of the bit through the drill rods by compressed air.
Anomaly	A deviation from uniformity; a local feature distinguishable in geochemical, mineralogical or geophysical measurements over a larger area; a feature considered capable of being associated with commercially valuable mineral deposits.
Anticline	A fold in the form of an arch.
Assay	Any physical or chemical method used to measure the absolute content of an element in a material sample.
Board	The board of Directors of Zeehan Zinc Limited
Cambrian	The earliest period of the Paleozoic era, from 530M to 460M years before present
Carbonate	A sedimentary rock composed principally of calcium carbonate ($CaCO_3$)
Company	Zeehan Zinc Limited (ACN 089 093 943)
Concentrate	Mineral in which the valuable mineral fraction has been separated from the gangue (waste) or worthless material thereby upgrading the product.
Concordant	Bearing a conformable relationship to the primary fabric of the enclosing rock
Cut-off	The estimated lowest grade of mineralisation or ore that can be exploited profitably.
Deformation	Of rocks; any change in the original form of rock masses produced by tectonic forces; folding, faulting (large scale) and solid flow are common modes of deformation.
Department of Mineral Resources Tasmania (MRT)	Mineral Resources Tasmania, a division of the Department of Infrastructure, Energy and Resources (of the state government of Tasmania)
Devonian	A period of geologic time from 416.0 M to 359.2 M years before present.
Diamond drilling	A method of drilling utilizing a diamond bit and recovering core samples of rock.
Dip	The angle at which a planar geologic feature (i.e. a bed or fault) is inclined from the horizontal
Directors	The directors of Zeehan Zinc Limited
Dolomitic limestone	Descriptive of a limestone containing up to 15% magnesium carbonate
Drill intersection	An interval of a generally anomalous metal concentration defined from drill samples
Drive	A horizontal tunnel used to gain access off a vertical shaft to mineralised subsurface zones
Exploration Licence Application (ELA)	Means an application for an Exploration Licence in Tasmania.
Exploration Licence or EL	an exploration licence granted under the MRD Act, which provides the holder with the ability to undertake exploration of minerals in Tasmania

Fault	A fracture or fracture zone along which there has been relative movement
Fold	A flexure in rock strata or another planar structure
Galena	Lead sulphide mineral (PbS)
Geophysics	The study of the earth by quantitative physical methods, examining attributes such as the earth's relative magnetism, gravity effects and electrical properties.
Grade	The relative quantity or percentage of mineral or metal content.
Granite	A large body of igneous rock, consisting of quartz, orthoclase and mica.
Granodiorite	An intrusive igneous rock similar to granite but contains more plagioclase feldspar and biotite mica.
Grid	A network of survey lines established for geological, geophysical or geochemical investigations
Host rock	The wall rock of a defined ore deposit or the rock unit containing that mineralisation.
Inferred resource	A mineral resource inferred from geoscientific evidence, drill holes, underground openings, or other sampling procedure where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability
Licence	Exploration licence or mining licence granted pursuant to *MRD Act 1995 (Tas)*
Lithologies	Rock type
Lode	A tabular or sheet-like deposit of valuable mineral between well-defined walls of country rock
Mineral resource	An identified in-situ mineral occurrence from which valuable or useful minerals may be recovered
Mineralisation	A concentration of valuable or potentially valuable minerals within a rock body
Mining Lease	mining lease granted pursuant to the MRD Act. An ML provides the holder with the right to mine for minerals (as defined by the lease)
MRD Act	Mineral Resources Development Act 1995 (Tas) (as amended), the Tasmanian law under which the mining industry in the State of Tasmania is controlled and regulated
Open cut	A mine worked at and from the surface
Ore	Rock which can be mined and processed at a profit under prevailing economic conditions
Ore reserve	That part of a Measured or Indicated Mineral Resource which could be mined, inclusive of dilution, and from which valuable or useful minerals could be recovered economically under conditions realistically assumed at the time of reporting
Orebody	A well defined mass of ore
Paleozoic	A geologic era of time ranging from 600M to 230M years before present
Pit	A surface excavation made on, or in search of mineralisation
Pre-concentrate	Mineral in which the valuable mineral fraction has not been fully separated from the gangue (waste) or worthless material but a product that has undergone preliminary upgrading by purely mechanical methods

Properties	The term "mining property" is generally inclusive, to include every mining licence, ditch, mill site, water right, profit á prendre right and the like used for mining purposes, and all other things belonging to a mine or used in the working thereof.
Pyrite	An iron sulphide mineral (FeS_2).
Pyrite	Iron-sulphide mineral (FeS_2)
Retention Lease	A retention licence granted pursuant to the MRD Act, which allows the discoverer of a resource which is not yet economic or otherwise possible to develop now, to retain its interest pending a change in the circumstances
Reserves	A well-defined estimate of tonnes and grade of ore, which is believed to be economic following a detailed study of all relevant economic and technical information (under JORC (2004))
Resources	A well-defined estimate of tonnes and grade of mineralisation on which there has been no detailed economic study carried out but there are reasonable prospects for eventual economic exploitation (under JORC (2004)).
Reverse circulation	Percussion drilling technique whereby the sample is returned to the surface inside the drill rods by compressed air
Reverse circulation drilling (RC)	A double tube drilling technique which uses compressed air to operate a down hole hammer and the resulting rock chip and powder sample is returned to the surface inside the drill rods. Sample contamination is reduced significantly using this technique.
Rockchip sampling	Obtaining a sample generally for assay, by breaking chips off a rock exposure
Rotary air blast	A rotary drilling technique used to penetrate overburden and weathered bedrock whereby the sample is returned to the surface outside the drill rods by compressed air
Sediment	Any particulate matter that is deposited in a body of water or other liquid.
Shaft	Near vertical passage from the surface through which access may be gained to underground excavations
Shear	Zone in which rocks have undergone deformation by lateral movement along parallel planes
Shear zone	A zone in which crushed rock (or breccia) has been produced by the action of a shearing stress as on a fault.
Sulphide	A mineral in which sulphur ions are bonded to other elements
Tailings	Material rejected from a treatment plant after the recoverable valuable minerals have been extracted.
Tenement	An exploration licence or a mining licence granted or deemed to have been granted under the MRD Act 1995 (including pending applications for same).
Tenure	The holding or possession of rights to or ownership of Crown-owned minerals for the term specified in any particular tenement.

Abbreviations:

>	greater than
%	per centum
AC	aircore
Ag	Silver
AMG	Australian metric grid
cm	centimetre(s)
CRAE	Conzinc Rio Tinto Exploration Pty Ltd
DH	drillhole
EL	exploration licence
ha	hectare(s)
ID	inverse distance
kg	kilogram(s)
km	kilometre(s)
km^2	square kilometre(s)
kv	kilovolts
m	metre(s)
M	million(s)
ML	mining lease
Mt	million tonnes
Pb	Lead
RAB	rotary air blast
RC	reverse circulation
tpa	tonnes per annum
Zn	Zinc

PART IV

SECTION A — HISTORICAL FINANCIAL INFORMATION OF ZEEHAN ZINC LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

Historical Financial Information for the three years ended 30 June 2006

1. Introduction

The financial information on Zeehan Zinc Limited ("Zeehan Zinc") and its subsidiary undertakings ("the Group") set out in Section A of Part IV has been prepared solely for the purpose of the AIM Admission Document and does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985.

2. Basis of Preparation

The financial information in relation to the Group has been prepared on the basis of the audited consolidated financial statements, making such adjustments as considered appropriate.

This information, which covers the period of the three years ended 30 June 2006, has been prepared under the historical cost convention and in accordance with:

- accounting standards of and accounting principles generally accepted in the Commonwealth of Australia ("Australian GAAP" or "AGAAP") for the year ended 30 June 2004
- Australian Equivalents to International Financial Reporting Standards ("AIFRS") for the two years ended 30 June 2006

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

The Group has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards ("AIFRS") from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated accounts resulting from the introduction of IFRS have been applied retrospectively to the comparative figures for the year ended 30 June 2005 excluding cases where optional exemptions available under AASB 1 have been applied.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in note 4(r) of this Section A of Part IV.

3. Responsibility

The Directors of Zeehan Zinc are responsible for the financial information and the contents of the AIM Admission Document in which it is included.

4. Accounting Policies

The following is a summary of the key accounting policies adopted by the Group in the preparation of the financial information.

a. *Reporting Basis and Conventions*

The financial information has been prepared on an accruals basis and is based on historical costs modified by the revaluation of freehold property and certain financial assets and financial liabilities, for which the fair value basis of accounting has been applied.

b. *Principles of Consolidation*

The consolidated financial information comprise the accounts of Zeehan Zinc and all entities controlled by Zeehan Zinc. A controlled entity or subsidiary undertaking is any entity Zeehan Zinc has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is set out in note 9.7 to the financial information. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by Zeehan Zinc.

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, without discounting, at the tax rates that are expected to apply to the period when the asset is realised or liability is settled provided they are enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as a component of the tax expense in the income statement except where it relates to a change in value of assets or liabilities that may be charged or credited directly to equity (such as the revaluation of land), in which case the deferred tax is adjusted directly against equity.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future tax profits.

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

d. *Property, Plant and Equipment*

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

Property

Freehold land and buildings are measured on the fair value basis less depreciation and any subsequent impairment losses. It is the policy of Zeehan Zinc to have an independent valuation by external professional valuers every three years, with annual appraisals being made by the directors.

Set out below is a summary of valuations in respect to land and buildings owned by the Group:

Land & Buildings	*Tenure*	*Date of Valuation*	*Amount*	*Basis of valuation*
Zeehan, Tasmania	Freehold	24 October 2005	$200,000	Independent

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Plant and Equipment

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 Group 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.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group 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 Assets	*Depreciation Rate*
Buildings	1.5 – 2.5%
Plant and equipment	6 – 33%
Leased plant and equipment	13 – 20%

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, are transferred to entities in the Group, 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 economic entity 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.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. *Financial Instruments*

Recognition

Financial instruments are initially measured at fair value 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, less provision for impairment. Any change in their value is recognized in the profit and loss account.

Impairment

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

g. *Impairment of Assets*

At each reporting date, the group 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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

h. ***Intangibles***

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

i. ***Foreign Currency Transactions and Balances***

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial information is presented in Australian dollars which is Zeehan Zinc's functional and presentation currency.

Transactions 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 reported in the balance sheet 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.

Exchange differences 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***

The Group makes fixed contributions to superannuation funds of the employees' choice. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contributions. Such fixed contributions are expensed as they fall due.

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the balance sheet date (principally comprises holiday pay). 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 group 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, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. ***Revenue and other income***

Revenue from the sale of goods is recognised upon the delivery of goods to customers. The Group has historically not recognised any revenues as it has not commenced commercial production.

Interest receivable is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other income principally comprises amounts received from related undertakings for the usage of employees of Zeehan Zinc.

All revenue and other income 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.

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. ***Exploration and Evaluation Expenditure***

Exploration and evaluation costs are expensed as they are incurred. Exploration operations in the area of interest are continuing. The economic entity holds current rights of tenure over any undiscovered resources in the area of interest.

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 group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group 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.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006.

r. ***First-time Adoption of Australian Equivalents to International Financial Reporting Standards ("AIFRS")***

The impact of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') is illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

There are no differences between total equity under AGAAP to that under AIFRS as previously reported for the year ended 30 June 2005 and the corresponding year ended 30 June 2006.

(ii) Reconciliation of loss after tax under AGAAP to that under AIFRS

There are no differences between the loss after tax under AGAAP to that under AIFRS as previously reported for the year ended 30 June 2005 and the corresponding year ended 30 June 2006.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

5. Consolidated Income Statements

	Note	*AGAAP Year ended 30th June 2004 A$*	*AIFRS Year ended 30th June 2005 A$*	*AIFRS Year ended 30th June 2006 A$*
Other income	9.1	2,574	702	2,089
Exploration and evaluation expenses	9.2	(89,608)	(560,529)	(1,680,604)
Depreciation and amortisation expenses	9.2	(9,969)	(5,660)	(7,093)
Finance costs	9.2	(9,273)	(7,693)	(45,641)
Other expenses		(747,417)	(379,085)	(1,296,315)
Net loss before income tax		(853,693)	(952,265)	(3,027,564)
Income tax expense	9.3	—	—	—
Net loss attributable to the members of Zeehan Zinc		(853,693)	(952,265)	(3,027,564)
Basic and diluted loss per share (in cents)	9.24	3.0	3.3	8.5

6. Consolidated Balance Sheets

	Note	*AGAAP As at 30th June 2004 A$*	*AIFRS As at 30th June 2005 A$*	*AIFRS As at 30th June 2006 A$*
ASSETS				
Current assets				
Cash and cash equivalents	7	5,261	283	(1,208)
Trade and other receivables	9.5	99,672	5,246	5,492
Other current assets	9.6	101,221	170,814	430,681
Total current assets		206,154	176,343	434,965
Non-current assets				
Property, plant and equipment	9.8	1,231,406	1,227,465	2,428,931
Intangible assets	9.9	3,721	3,721	3,721
Total non-current assets		1,235,127	1,231,186	2,432,652
Total assets		1,441,281	1,407,529	2,867,617
Current liabilities				
Trade and other payables	9.10	402,694	739,072	2,974,558
Short-term borrowings	9.11	—	—	2,197,974
Short-term provisions	9.13	18,666	3,300	30,317
Total current liabilities		421,360	742,372	5,202,849
Non-current liabilities				
Trade and other payables	9.10	828,158	1,011,416	—
Long-term borrowings	9.11	1,784,272	2,182,515	—
Deferred tax	9.12	—	—	48,000
Long-term provisions	9.13	—	—	500,000
Total non-current liabilities		2,612,430	3,193,931	548,000
Total liabilities		3,033,790	3,936,303	5,750,849
Net liabilities		(1,592,509)	(2,528,774)	(2,883,232)
Equity				
Issued share capital	9.14	8,689,318	8,705,318	11,266,424
Revaluation reserve	9.16	—	—	112,000
Accumulated losses	9.15	(10,281,827)	(11,234,092)	(14,261,656)
Total equity		(1,592,509)	(2,528,774)	(2,883,232)

7. Consolidated Cash Flow Statements

	Note	*AGAAP Year ended 30th June 2004 A$*	*AIFRS Year ended 30th June 2005 A$*	*AIFRS Year ended 30th June 2006 A$*
Cash flows from operating activities				
Receipts from customers		36,655	95,128	2,089
Payments to suppliers and employees		(590,806)	(504,937)	(1,985,946)
Finance costs		(9,273)	(7,693)	(13,633)
Net cash used in operating activities	9.20	(563,424)	(417,502)	(1,997,490)
Cash flows from investing activities				
Purchase of property, plant and equipment		(38,301)	(1,719)	(548,557)
Net cash used in investing activities		(38,301)	(1,719)	(548,557)
Cash flows from financing activities				
Proceeds from issue of shares		185,525	16,000	2,939
Net proceeds from borrowings		443,782	398,243	2,541,618
Payment of lease liabilities		(40,141)	—	—
Net cash provided by financing activities		589,166	414,243	2,544,557
Net decrease in cash held		(12,559)	(4,978)	(1,491)
Cash at the beginning of the year		17,820	5,261	283
Cash at the end of the year	9.20	5,261	283	(1,208)

8. Statement of Changes in Shareholders' Equity

	Equity attributable to shareholders			
	Issued capital A$	*Revaluation reserve A$*	*Accumulated losses A$*	*Total shareholders' equity A$*
Balance as at 1 July 2003	8,490,793	—	(9,428,134)	(937,341)
Net loss and total income and expense recognised for the year	—	—	(853,693)	(853,693)
Issue of capital	198,525	—	—	198,525
Balance as at 30 June 2004	8,689,318	—	(10,281,827)	(1,592,509)
Net loss and total income and expense recognised for the year	—	—	(952,265)	(952,265)
Issue of capital	16,000	—	—	16,000
Balance as at 30 June 2005	8,705,318	—	(11,234,092)	(2,528,774)
Income recognised directly in equity	—	112,000	—	112,000
Net loss for the year	—	—	(3,027,564)	(3,027,564)
Total income and expense recognised for the year	—	112,000	(3,027,564)	(2,915,564)
Issue of capital	2,561,106	—	—	2,561,106
Balance as at 30 June 2006	11,266,424	112,000	(14,261,656)	(2,883,232)

9. Notes to the Financial Information

	AGAAP Year ended 30th June 2004 A$	AIFRS Year ended 30th June 2005 A$	AIFRS Year ended 30th June 2006 A$
9.1 *Other income*			
Interest receivable	—	—	14
Other income	2,574	702	2,075
Total other income	2,574	702	2,089
9.2 *Loss from ordinary activities*			
The loss from ordinary activities is stated after:			
Finance costs:			
— external	9,273	7,693	13,641
— related parties	—	—	32,000
	9,273	7,693	45,641
Depreciation of non-current assets			
— plant and equipment	—	5,660	7,093
— capitalised leased assets	9,969	—	—
	9,969	5,660	7,093
Exploration and evaluation expenses	89,608	560,529	1,680,604
Auditors' remuneration:			
— For auditing or reviewing the financial statements	60,114	35,520	49,091
— Other services	—	—	—
9.3 *Income tax expense*			
Prima facie tax on net loss before income tax is reconciled to the income as follows:			
Net loss before taxation	(853,693)	(952,265)	(3,027,564)
Prima facie income tax benefit on loss from ordinary activities at 30%	(256,108)	(285,680)	(908,269)
Future income tax benefit relating to tax losses carried forward	256,108	285,680	908,269
Income tax attributable to net loss	—	—	—
The Directors estimate that the potential future income tax benefit (deferred tax asset) at year end in respect of tax losses not brought to account is	841,578	1,127,258	2,035,527

Zeehan Zinc and its subsidiaries are taxed as individual public companies. The benefit of tax losses will only be obtained if:

a) Zeehan Zinc and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

b) Zeehan Zinc and its subsidiaries continue to comply with the conditions for deductibility imposed by the law;

c) and no changes in tax legislation adversely affect Zeehan Zinc and its subsidiaries in realising the benefit from the deduction for the losses.

9.4 *Key Management Personnel Compensation*

	Short-term benefits			*Post employment benefit*			
	Salary and fees $	*Super-annuation $*	*Bonus $*	*Non-cash benefits $*	*Super-annuation $*	*Long-term benefits long Service leave $*	*Total $*
2006							
Total compensation	428,636	9,000	—	—	—	—	437,636
2005							
Total compensation	486,063	5,400	—	—	—	—	491,463
2004							
Total compensation	232,068	4,950	—	—	—	—	237,018

	AGAAP As at 30th June 2004 A$	*AIFRS As at 30th June 2005 A$*	*AIFRS As at 30th June 2006 A$*
9.5 *Receivables*			
Current			
Other receivables	99,672	5,246	5,492
9.6 *Other assets*			
Current			
Deposits and prepayments	19,590	40,276	205,995
GST recoverable	81,631	130,538	224,686
	101,221	170,814	430,681

9.7 *Subsidiary undertakings*

	Incorporated	*% owned*
Oceania Tasmania Pty Limited	Australia	100%
ZZ Exploration Pty Limited	Australia	100%
Zeehan Zinc Administration Pty Limited (incorporated on 13 December 2006)	Australia	100%

9.8 *Property, plant and equipment*

			Plant and equipment			
	Land and buildings	*Mining leases*	*Plant under construction*	*Plant and equipment*	*Capitalised leased assets*	*Total*
Cost:						
As at 1 July 2003	40,000	4,177,664	1,111,508	6,457	53,994	5,389,623
Additions	—	—	34,334	—	16,967	51,301
Disposals	—	—	—	—	—	—
As at 30 June 2004	40,000	4,177,664	1,145,842	6,457	70,961	5,440,924
Additions	—	—	280	50,526	—	50,806
Disposals	—	—	—	—	(70,961)	(70,961)
As at 30 June 2005	40,000	4,177,664	1,146,122	56,983	—	5,420,769
Additions	—	—	1,014,922	17,320	16,316	1,048,558
Disposals	—	—	—	—	—	—
Revaluation	160,000	—	—	—	—	160,000
As at 30 June 2006	200,000	4,177,664	2,161,044	74,303	16,316	6,629,327
Accumulated depreciation:						
As at 1 July 2003	—	—	—	6,457	15,428	21,885
Charge for the year	—	—	—	—	9,969	9,969
Disposals	—	—	—	—	—	—
As at 30 June 2004	—	—	—	6,457	25,397	31,854
Disposal	—	—	—	—	(25,397)	(25,397)
Charge for the year	—	—	—	9,183	—	9,183
As at 30 June 2005	—	—	—	15,640	—	15,640
Charge for the year	—	—	—	5,544	1,548	7,092
As at 30 June 2006	—	—	—	21,184	1,548	22,732
Provision for impairment:						
As at 30 June 2004	—	(4,177,664)	—	—	—	(4,177,664)
Movement for the year	—	—	—	—	—	—
As at 30 June 2005	—	(4,177,664)	—	—	—	(4,177,664)
Movement for the year	—	—	—	—	—	—
As at 30 June 2006	—	(4,177,664)	—	—	—	(4,177,664)
Net book value:						
As at 30 June 2004	40,000	—	1,145,842	—	45,564	1,231,406
As at 30 June 2005	40,000	—	1,146,122	41,343	—	1,227,465
As at 30 June 2006	200,000	—	2,161,044	53,119	14,768	2,428,931

The group's freehold land and buildings were revalued on 24 October 2005 by independent valuers. Fair values were based on current market transactions at arm's length which were then adjusted for specific conditions relating to the property. The revalued amounts include a revaluation surplus of A$160,000 (A$112,000 net of applicable deferred income taxes), which was credited to a revaluation reserve in shareholders' equity and which is not available for distribution to shareholders.

Under the cost model, the carrying amounts of the revalued land would be A$40,000.

Capitalised leased assets

Zeehan Zinc currently has finance lease agreements, which relate to plant and equipment.

The net carrying amounts of the assets held under finance leases is A$14,768 (2005:A$ nil; 2004: A$45,564).

	AGAAP As at 30th June 2004 A$	AIFRS As at 30th June 2005 A$	AIFRS As at 30th June 2006 A$
9.9 ***Intangible assets***			
Preliminary expenses	2,013	2,013	2,013
Goodwill on consolidation	1,708	1,708	1,708
	3,721	3,721	3,721
9.10 ***Payables***			
Current			
Trade payables	280,216	635,886	2,894,558
Sundry payables and accrued expenses	122,478	103,186	80,000
	402,694	739,072	2,974,558
Non-current trade payables	828,158	1,011,416	—
9.11 ***Borrowings***			
Current			
Related parties (see note 9.22)	—	—	1,859,719
Other loans — unsecured	—	—	323,563
Amounts payable under finance leases (see note 9.17)	—	—	14,692
	—	—	2,197,974
Non-current			
Unsecured loans payable to:			
Related parties (see note 9.22)	671,101	1,109,027	—
Other loans — unsecured	113,171	73,488	—
Unsecured notes — related parties (see note 9.22)	1,000,000	1,000,000	—
	1,784,272	2,182,515	—
9.12 ***Tax***			
a) Liabilities			
Non-current			
Deferred tax liabilities comprise:			
Revaluation adjustments taken directly to equity	—	—	48,000
	—	—	48,000
b) Reconciliations			
The overall movement in the deferred tax account is as follows:			
Opening balance	—	—	—
Charges to equity	—	—	48,000
Closing balance	—	—	48,000

9.13 ***Provisions***

	Employee entitlements A$	*Rehabilitation of Comstock mine*	*Total A$*
Opening balance at 1 July 2003	27,492	—	27,492
Additional provisions raised during the year	(8,826)	—	(8,826)
Closing balance at 30 June 2004	18,666	—	18,666
Amounts used	(15,366)	—	(15,366)
Closing balance at 30 June 2005	3,300	—	3,300
Additional provisions raised during the year	27,017	500,000	527,017
Closing balance at 30 June 2006	30,317	500,000	530,317

Provision for employee entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in note 4j.

Provision for rehabilitation of Comstock mine

A provision has been recognised without discounting for rehabilitation costs for the Comstock mine site based on a report by SEMF Consulting. This report estimated the cost of decommissioning and rehabilitating the remaining disturbed part of the site and is expected to apply if the operation ceases at any time up to the end of the expected life.

	AGAAP As at 30th June 2004 A$	*AIFRS As at 30th June 2005 A$*	*AIFRS As at 30th June 2006 A$*
9.14 ***Issued share capital***			
Issued and paid up capital			
Number of shares Ordinary	29,057,248	29,121,248	43,449,307
"A" Class	1,000	1,000	1,000
Value A$	8,689,318	8,705,318	11,266,424

Under the Corporation's Act, shares no longer have par value nor is there any concept of authorised share capital in the Commonwealth of Australia.

During the year ended 30 June 2004, 742,100 ordinary shares were issued to parties that are not related to the Group or its directors at a price of A$0.25 per share amounting to proceeds on issue of equity of A$185,525. Also, 52,000 ordinary shares at a price of A$0.25 per share were issued in relation to the purchase of a motor vehicle to Condor Oil Investments Pty Limited, a company in which Malcolm Bendall is a director.

During the year ended 30 June 2005, 64,000 ordinary shares were issued to parties that are not related to the Group or its directors at a price of A$0.25 per share amounting to proceeds on issue of equity of A$16,000.

During the year ended 30 June 2006, 200,000 ordinary shares were issued to Golden Elm Pty Limited, an entity that is not related to the Group or its directors, in settlement of amounts due to this entity of A$2,938. In addition, the following shares were issued to related parties:

- 4,865,635 ordinary shares were issued at a price of A$0.25 each to Cyber Finance Group Limited, a wholly owned subsidiary undertaking of Empire Energy Corporation International, of which Malcolm Bendall is the Chief Executive Officer, for consideration of A$1,216,409
- 4,000,000 ordinary shares were issued to the David James Bendall Family Trust, of which Malcolm Bendall is an appointor, at a price of A$0.25 each in settlement of an unsecured loan note amounting to A$1,000,000 payable to Malcolm Bendall as at 30 June 2005 (see note 9.22)

- on 28 February 2006 and 7 June 2006, 5,262,424 shares in total were issued to the David James Bendall Family Trust in settlement of amounts payable to the David James Bendall Family Trust of A$337,847. In order to increase the effective issue price to A$0.1342 per share for shares issued to the David James Bendall Family Trust on 7 June 2006, on 31 January 2007, the David James Bendall Family Trust has agreed to pay additional consideration in cash amounting to A$368,370.

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

The ''A'' Class shares were reclassified to Ordinary shares on a one-for-one basis in December 2006.

9.15 ***Accumulated losses***

	AGAAP As at 30th June 2004 A$	*AIFRS As at 30th June 2005 A$*	*AIFRS As at 30th June 2006 A$*
Opening accumulated losses	9,428,134	10,281,827	11,234,092
Net loss attributable to the members of Zeehan Zinc	853,693	952,265	3,027,564
Closing accumulated losses	10,281,827	11,234,092	14,261,656

9.16 ***Revaluation reserve***

The revaluation reserve records revaluations of freehold property.

Opening reserve	—	—	—
Revaluation during the year	—	—	112,000
Closing reserve	—	—	112,000

9.17 ***Capital and leasing commitments***

	AGAAP As at 30th June 2004 A$	*AIFRS As at 30th June 2005 A$*	*AIFRS As at 30th June 2006 A$*
a) *Finance lease commitments*			
Minimum lease payments falling due as follows:			
— not later than 12 months	—	—	8,446
— between 12 months and two years	—	—	8,446
— greater than two years	—	—	4,147
	—	—	21,039
Less future finance charges	—	—	(6,347)
Present value of minimum lease payments	—	—	14,692
b) *Capital expenditure commitments*			
Capital expenditure commitments contracted for reclamation and rehabilitation	50,000	—	—
Capital commitments on exploration leases held by ZZ Exploration Pty Ltd:			
— EL20/2002	1,318,000	1,318,000	1,318,000
— EL30/2002	569,000	569,000	569,000
— EL18/2003	—	122,500	122,500
Total capital expenditure commitments over life of lease	1,887,000	2,009,500	2,009,500
Capital commitments on exploration leases held by ZZ Exploration Pty Ltd:			
— EL20/2002	750,000	779,583	880,167
— EL30/2002	505,000	508,333	519,666
— EL18/2003	—	2,188	7,438
Total capital expenditure commitments as at 30 June	1,255,000	1,290,104	1,407,271
Total capital expenditure incurred from date of renewal/granting:			
— EL20/2002	127,042	284,890	1,065,011
— EL30/2002	128,095	267,254	690,319
— EL18/2003	—	2,400	21,008
Total capital expenditure commitments as at 30 June	255,137	554,544	1,776,338
Net capital commitments as at 30 June after deducting expenditure already incurred	999,863	735,560	369,067

EL20/2002 and EL30/2002 are currently in the fourth year of operations and EL18/2003 is in the second year of operations.

The minimum expenditure commitments of exploration licences under the Mineral Exploration Code of Practice are specified as follows:

a) First Year: $250 per km^2 per annum

b) Second Year: $500 per km^2 per annum

c) Third Year: $1,000 per km^2 per annum

d) Fourth Year: $2,000 per km^2 per annum

e) Fifth Year: $5,000 per km^2 per annum

9.18 ***Contingent liabilities***

a) *Mining lease bond*

The renewal of the mining leases 123M/1947, 19M/1995 and 9M/2002 is conditional upon payment of a A$2.25 million bond. Zeehan Zinc has written advice from Mineral Resources Tasmania (MRT) that the A$2.25 million bond is not due and payable until mining operations commence.

b) *Shareholder charge*

A shareholder has taken out bank guarantees of A$250,000 on behalf of the company to Mineral Resources Tasmania for the mining leases. Consideration to the shareholder has been paid in the form of shares; however as per an agreement between the shareholder and the company, the shareholder has the option to obtain charge over the first production of zinc concentrate sales revenue in return for the shares that have already been issued as consideration if the shares are un-tradeable.

9.19 *Segmental information*

The economic entity operates predominantly in one business and geographical segment, being the mineral exploration development and extraction industry in Australia.

	Note	*AGAAP Year ended 30th June 2004 A$*	*AIFRS Year ended 30th June 2005 A$*	*AIFRS Year ended 30th June 2006 A$*
9.20 *Cash flow information*				
a) *Reconciliation of cash flows from operations with loss from ordinary activities after income tax*				
Loss from ordinary activities after income tax		(853,693)	(952,265)	(3,027,564)
Non cash flow items:				
— Depreciation		9,969	5,660	7,092
— Finance costs		—	—	32,008
Changes in assets and liabilities:				
— Other receivables		10,751	94,426	(246)
— Other assets		—	(69,593)	(259,867)
— Payables		278,375	519,636	1,224,070
— Provision for employee benefits		(8,826)	(15,366)	27,017
Net cash flows used in operations		(563,424)	(417,502)	(1,997,490)
b) *Non-cash financing and investment activities*				
Conversion of debt to equity		—	—	2,558,167
Issue of shares in payment for purchase of fixed asset		13,000	—	—
Recognition of rehabilitation provision		—	—	500,000
		13,000	—	3,058,167

9.21 *Events subsequent to balance sheet date*

a) *Fund raising*

Advances have been received since 1 July 2006 from entities associated with a director of the company totalling A$168,320. In addition, unsecured non-related creditors agreed to convert A$720,000 of debt to equity. Since 1 July 2006, Zeehan Zinc has placed 21.2 million ordinary shares at a subscription price of A$0.25 per share and received consideration of A$5.35 million from third party investors. Also, 800,000 shares were issued to David James Bendall at a price of A$0.25 per share. Also, £2 million was received from Wind City Inc.; an unrelated US-based corporation in exchange of a convertible unsecured note in November 2006. On 31 January 2007, the David James Bendall Family Trust paid additional consideration of A$368,370 in relation to shares issued on 7 June 2006.

b) *Proposed merger*

On 12 August 2005, Empire Energy Corporation International a company traded on the NASDAQ over-the-counter bulletin board (EEGC:OB) lodged a letter of intent to fully acquire the outstanding capital of Zeehan Zinc through the acquisition of debt and equity of a Zeehan Zinc shareholder. Subsequently, the Board of Zeehan Zinc requested acquittal from the letter of intent and its obligations. On 31 August 2006, Empire issued a letter of termination to annul the letter of intent to merge with Zeehan Zinc.

c) *Exploration licences*

During 2005, ZZ Exploration made application to relinquish areas of non-geological significance for exploration licences 20/2002 and 30/2002. The application was rejected and the Minister has given notice of his intention to revoke EL20/2002 and EL30/2002 dated 7 April 2005. Zeehan Zinc has challenged this

decision before the Mining Tribunal and during August 2006, notification was received from the Magistrates Court advising that an Order had been issued to the Crown instructing the revocation be removed. The Group has continued to expend monies on exploration throughout the financial year to demonstrate its commitment to exploration and exploitation of mineral reserves in proven areas.

9.22 ***Related party transactions***

The following table sets out a summary of transactions of the Group with directors and entities related to the directors.

	AGAAP Year ended 30th June 2004 A$	*AIFRS Year ended 30th June 2005 A$*	*AIFRS Year ended 30th June 2006 A$*
(i) Consultancy fees payable to DA Tanner Holdings Pty Limited for engineering services. David Tanner has a controlling interest over DA Tanner Holdings Pty Ltd.[1]	105,490	147,900	109,935
(ii) Rental fees payable to Logok Pty Limited a property holding company. Mr Malcolm Bendall has a controlling interest over Logok Pty Ltd.	16,364	16,364	18,000
(iii) Consultancy fees payable to Bass Gas & Oil Pty Limited for management consultancy and geological services. Mr Malcolm Bendall has a controlling interest over Bass Gas & Oil Pty Ltd.	—	278,163	238,107
(iv) Consultancy fees payable to Clive Burrett for management and geological services provided to the Company.	—	—	81,749
(v) Employee expenses paid to GSLM, a company of which Malcolm Bendall is a Director, for exploration services.	6,654	69,532	244,690
(vi) Purchase of motor vehicle from Condor Oil Investments Pty Limited, a company of which Malcolm Bendall is a director	13,000	—	—
Interest paid to related parties			
Empire Energy Corporation International[2]	—	—	32,000

(1) David Tanner ceased being a director on 13th March 2006.
(2) Malcolm Bendall is the CEO of EECI.

The table below sets out the balances that were due from the Group to directors and entities related to the directors.

	AGAAP Year ended 30th June 2004 A$	*AIFRS Year ended 30th June 2005 A$*	*AIFRS Year ended 30th June 2006 A$*
Loans from directors and related entities			
Malcolm Bendall	19,629	19,629	—
David James Bendall Family Trust[1,3]	643,546	1,075,972	42,000
David Tanner	7,926	13,426	—
Empire Energy Corporation International	—	—	1,666,773
Great South Land Minerals Limited[2]	—	—	150,946
Malcolm Bendall – unsecured loan note[3]	1,000,000	1,000,000	—
Amounts payable within one year			
Bass Gas & Oil Pty Limited	109,931	415,910	654,097
D A Tanner Holdings Pty Limited	321,476	484,166	613,483
Great South Land Minerals Limited	6,521	44,765	254,115

(1) Malcolm Bendall is appointor to this trust.
(2) Great South Land Minerals Limited is a subsidiary undertaking of Empire Energy Corporation Inc.
(3) During 2005, the loan from the David James Bendall Family Trust and the unsecured loan note payable to Malcolm Bendall was converted to ordinary shares (see note 9.14).

9.23 *Financial risk management*

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, borrowings and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not have any derivative instruments at 30 June 2006.

The main risks the Group is exposed to through its financial instruments are liquidity risk and credit risk.

Foreign currency risk

Having been principally involved in exploration activity during the three years ended 30 June 2006, the Group was not exposed to fluctuations in foreign currencies.

Liquidity risk

The Group manages liquidity risk by monitoring forecast cashflows 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

A summary of the financial instruments and their interest rate risk is set out in the table below.

	Weighted average effective interest rate					
	AGAAP Year ended 30th June 2004	*AIFRS Year ended 30th June 2005*	*AIFRS Year ended 30th June 2006*	*AGAAP As at 30th June 2004*	*AIFRS As at 30th June 2005*	*AIFRS As at 30th June 2006*
Financial liabilities maturing within one year						
Trade and other payables	—	—	—	$ 402,694	$ 739,072	$2,974,588
Borrowings:						
Related party loans (fixed interest rate)	—	—	7%	$ —	$ —	$1,666,773
Related party loans	—	—	—	$ —	$ —	$ 192,946
Other non-related loans	—	—	—	$ —	$ —	$ 323,563
Lease liabilities (fixed rate)	—	—	31%	$ —	$ —	$ 14,692
				$ 402,694	$ 739,072	$5,172,562
Financial liabilities maturing after one year						
Trade and other payables	—	—	—	$ 828,158	$1,011,416	$ —
Borrowings:						
Related party loans	—	—	—	$1,671,101	$2,109,027	$ —
Other non-related loans	—	—	—	$ 113,171	$ 73,488	$ —
				$2,612,430	$3,193,931	$ —
Financial assets						
Cash and cash equivalents	—	—	—	$ 5,261	$ 283	$ (1,208)
Receivables	—	—	—	$ 99,672	$ 5,246	$ 5,492
				$ 104,933	$ 5,529	$ 4,284

The Group has no exposure to floating interest rates as none of its financial instruments are based on variable interest rates.

9.24 ***Loss per share***

The basic loss per share has been calculated using the net loss attributable to shareholders of Zeehan Zinc as the numerator.

The weighted average number of outstanding shares used for the calculation of the basic loss per share amounted to 35,592,365 (2005: 29,086,541; 2004: 28,551,124).

The diluted loss per share is the same as the basic loss per share as Zeehan Zinc had no potentially dilutive financial instruments.

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The Directors
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Australia

27 February 2007

Dear Sirs

ZEEHAN ZINC LIMITED AND ITS SUBSIDIARY UNDERTAKINGS

We report on the financial information set out on Section A of Part IV, which has been prepared for inclusion in the AIM Admission Document dated 27 February 2007 of Zeehan Zinc Limited ("Admission Document") on the basis of the accounting policies set out in note 4 of Section A of Part IV.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

The Directors of Zeehan Zinc Limited are responsible for preparing the financial information on the basis of preparation set out in note 2 of Section A of Part IV and in accordance with the accounting policies set out in note 4 of Section A of Part IV.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document dated 27 February 2007, a true and fair view of the state of affairs of Zeehan Zinc Limited and its subsidiary undertakings as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 of Section A of Part IV and in accordance with accounting policies as described in note 4 of Section A of Part IV.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

SECTION C — UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set below is an unaudited pro forma statement of net assets of the Group as at 30 June 2006.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only to illustrate the effect on the net assets of the Group of the net proceeds of the Placing and certain funding transactions that have taken place since 1 July 2006 as if these transactions had taken place as at 30 June 2006.

Because of the nature of pro forma financial information, this pro forma statement of net assets addresses a hypothetical situation and does not therefore represent the actual financial position of the the Group as at 30 June 2006.

The pro forma statement of net assets has been prepared on the basis described in the notes set out below and after making the adjustments described in those notes.

	Zeehan Zinc Limited (Note 1) A$	*Adjustments*				*Pro forma net assets A$*
		(Note 2) A$	*(Note 3) A$*	*(Note 4) A$*	*(Note 5) A$*	
Current assets						
Cash and cash equivalents	(1,208)	—	10,940,428	—	19,858,293	30,797,513
Trade and other receivables	5,492	—	—	—	—	5,492
Other current assets	430,681	—	—	—	—	430,681
Total current assets	434,965	—	10,940,428	—	19,858,293	31,233,686
Non-current assets						
Property, plant and equipment	2,428,931	—	—	—	—	2,428,931
Intangible assets	3,721	—	—	—	—	3,721
Total non-current assets	2,432,652	—	—	—	—	2,432,652
Total assets	2,867,617	—	10,940,428	—	19,858,293	33,666,338
Current liabilities						
Trade and other payables	2,974,558	(8,400)	—	—	—	2,966,158
Short-term borrowings	2,197,974	(720,000)	—	—	—	1,477,974
Short-term provisions	30,317	—	—	—	—	30,317
Convertible note	—	—	5,018,018	(5,018,018)	—	—
Total current liabilities	5,202,849	(728,400)	5,018,018	(5,018,018)	—	4,474,449
Non-current liabilities						
Deferred tax liabilities	48,000	—	—	—	—	48,000
Long-term provisions	500,000	—	—	—	—	500,000
Total non-current liabilities	548,000	—	—	—	—	548,000
Total liabilities	5,750,849	(728,400)	5,018,018	(5,018,018)	—	5,022,449
Net assets/(liabilities)	(2,883,232)	728,400	5,922,410	5,018,018	19,858,293	28,643,889

Notes

(1) The consolidated net assets of Zeehan Zinc Limited and its subsidiary undertakings have been extracted without material adjustment from the historical financial information of the Group set out in Section A of Part IV of this document.

(2) The adjustment in the column titled "Note 2" represents the conversion of certain payables of the Group as at 30 June 2006 to ordinary shares of Zeehan Zinc since 30 June 2006, as set out in the table below:

	Number of shares	*Price per share A$*	*Debt converted to equity A$*
Sundew Holdings Pty Limited	200,000	0.014	2,800
Peter Norton	160,000	0.014	2,240
Dawn Norton	240,000	0.014	3,360
Grenada Capital Pty Limited	880,000	0.250	220,000
DA Tanner Holdings Pty Limited	1,600,000	0.250	400,000
Terralinna Pty Limited	400,000	0.250	100,000
	3,480,000		728,400

(3) The adjustment in the column titled "Note 3" represents the cash proceeds from the issue of shares or convertible unsecured loan note since 30 June 2006 as set out in the table below:

	Number of shares	*Price per share A$*	*Cash proceeds A$*
Maitland Investments Limited	2,440,000	0.250	610,000
RAB Special Situations (Master) Fund Limited	9,760,000	0.250	2,494,040
Terralinna Pty Limited	9,000,000	0.250	2,250,000
David James Bendall	800,000	0.250	200,000
	22,000,000		5,554,040
David James Bendall Family Trust — additional consideration for shares issued on 7 June 2006			368,370
Wind City Inc (convertible unsecured loan note)			5,018,018
			10,940,428

(4) The adjustment in the column titled "Note 4" represents the conversion of 100 per cent of the convertible unsecured loan note by Wind City Inc, through Europe Wind III B.V., into the Company's ordinary shares at Admission.

(5) The adjustment in the column titled "Note 5" represents the net placing proceeds of £8.0 million, being the gross placing proceeds of £9.0 million from the issue of 46,153,846 new ordinary shares in the Company at a placing price of 19.5 per share and at an exchange rate of £1: A$2.49, net of estimated expenses of £1.0 million.

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The Directors
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Australia

27 February 2007

Dear Sirs

ZEEHAN ZINC LIMITED

We report on the pro forma financial information (the "Pro forma financial information") set out in Section C of Part IV of the AIM Admission Document dated 27 February 2007 ("Admission Document"), which has been prepared on the basis described in the notes on Section C of Part IV, for illustrative purposes only, to provide information about how the placing might have affected the financial information presented on the basis of the accounting policies adopted by Zeehan Zinc Limited in preparing the financial information for the year ended 30 June 2006.

RESPONSIBILITIES

This report is required as agreed between us in writing and is given for the purpose of complying with that requirement and for no other purpose.

Save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

It is the responsibility of the Directors of Zeehan Zinc Limited to prepare the pro forma financial information as though it had been prepared in accordance with paragraph 20.2 of Annex I of the Prospectus Regulation attached to the AIM Rules for Companies.

It is our responsibility to form an opinion as though it had been required by paragraph 7 of Annex II of the Prospectus Regulation attached to the AIM Rules for Companies as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Zeehan Zinc Limited.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Zeehan Zinc Limited.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

OPINION

In our opinion:

a) the Pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of Zeehan Zinc Limited.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

PART V

ADDITIONAL INFORMATION

1. The Company

1.1. The Company was incorporated and registered in Tasmania on 13 August 1999 under the Act as a proprietary company with the name Zeehan Zinc Pty Ltd. and its registered number is ACN 089 093 943. The Company converted to a public company and changed its name to Zeehan Zinc Limited on 5 July 2001. The principal legislation under which the Company operates is the Corporations Act and the regulations made thereunder. The liability of the members of the Company is limited.

1.2. The Company has no commercial name other than its registered name.

1.3. The Company's registered office and principal place of business is at Level 1, 199 Macquarie Street, Hobart, Tasmania 7000 Australia**.** The Company's telephone number at such address is +61 3 6223 3700.

1.4. The Company is the holding company of the Group. Details of the Company's subsidiaries are set out in Section 1.5 below.

1.5. The Company has the following subsidiaries:

Name of Group Company	*Registered or principal office*	*Country of incorporation or residence*	*Issued Share Capital*	*Business*	*Percentage owned or, if different, percentage of voting power held*
Oceania Tasmania Pty Ltd (registered number ACN 009 524 047)	Level 1, 199 Macquarie Street, Hobart, Tasmania 7000 Australia	Australia	1000 Class A 20 Ordinary shares	Comstock Mine Operation	100
ZZ Exploration Pty Ltd (registered number ACN 092 488 214)	Level 1, 199 Macquarie Street, Hobart, Tasmania 7000 Australia	Australia	1 Ordinary share	Exploration	100
Zeehan Zinc Administration Pty Ltd (registered number ACN 123 112 372)	Level 1, 199 Macquarie Street, Hobart, Tasmania 7000 Australia	Australia	100 Ordinary Shares	Administration	100

2. Share Capital and Securities to be Admitted to Trading on AIM

2.1. Under the Corporations Act, Australian companies do not have a par value for their issued shares nor do they have a specified authorised share capital. This results in there being no limit in the Act or a company's constitution on the power of the directors to issue shares in the company. However, the Company's Constitution does limit the ability of the Directors to issue shares and pre-emption rights. Please refer to paragraph 3 of this Part V for a summary of those provisions of the Constitution.

2.2. In the three years preceding 30 June 2006 and the period from 1 July 2006 to 26 February 2007 (being the latest practicable date prior to the publication of this document) the following alterations in the Company's issued share capital have occurred:

2.2.1. On 30 November 2006, the 1,000 A class shares in the Company were converted to Ordinary Shares on a one for one basis. The A class shareholders, being Malcolm Bendall as to 500 and the David James Bendall Family Trust as to 500, consented in writing to the conversion of the A class shares to Ordinary Shares.

2.2.2. On 27 October 2006, the Company issued 9,000,000 Shares to Terralinna Pty Ltd as Trustee for the Phillip Simpson Family Trust ("Terralinna") pursuant to subscription agreements dated 18 October 2006, at a subscription price of A$0.25 per Share, for a total subscription price of A$2,250,000.

2.2.3. On 24 October 2006, the Company issued 800,000 Shares to David James Bendall at a price of A$0.25 per Share, for a total value of A$200,000 pursuant to a subscription agreement with the Company dated 20 October 2006.

2.2.4. On 24 October 2006, the Company issued 1,600,000 Shares to D A Tanner Holdings Pty Ltd pursuant to a debt/equity conversion for debts owed by the Company to D A Tanner Holdings in respect of consultancy services rendered at an agreed conversion rate of A$0.25 per Share, for a total value of A$400,000.

2.2.5. On 24 October 2006, the Company issued 400,000 Shares to Terralinna Pty Ltd pursuant to an agreement under which Terralinna Pty Ltd paid loan monies owed by the Company to the David James Bendall Family Trust in return for the issue of Shares to it, at an agreed price of A$0.25 per Share, for a total value of A$100,000.

2.2.6. On 24 October 2006, the Company issued 880,000 Shares to Grenada Capital Pty Ltd pursuant to a debt/equity conversion for debts owed by the Company to Grenada Capital in respect of services rendered at an agreed price of A$0.25 per Share, for a total value of A$220,000.

2.2.7. On 20 September 2006, the Company issued 373,200 Shares to Libertas Capital pursuant to the terms of the Libertas Capital Engagement Letter as described in paragraph 10.1 of this Part V.

2.2.8. On 15 August 2006, the Company issued 2,440,000 Shares to Maitland Investments Ltd at a subscription price of A$0.25 per Share, for a total subscription price of £250,000, pursuant to an investment agreement with the Company, as described in paragraph 10.7 of Part V of this document.

2.2.9. On 2 August 2006, the Company issued 9,760,000 Shares to Credit Suisse Client Nominees (UK) Limited as nominees for RAB Special Situations (Master) Fund Limited at subscription price of A$0.25 per Share, for a total subscription price of £1,000,000 pursuant to an investment agreement with the Company, as described in paragraph 10.6 of this Part V.

2.2.10. On 21 July 2006, the Company issued to Dawn Norton 240,000 Shares pursuant to the terms of an undated heads of agreement between Malcolm Bendall and David Bendall and Dawn Norton in respect of certain funds lent to them for and on behalf of the Company in September 2000 at an agreed conversion rate of A$0.014 per Share for a total value of A$3,360. All of these 240,000 Shares were sold at a price of A$0.25 per Share to a number of persons in January 2007,

2.2.11. On 21 July 2006, the Company issued to Peter Norton 160,000 Shares pursuant to an undated heads of agreement between Malcolm Bendall and David Bendall and Peter Norton in respect of certain funds lent to them for and on behalf of the Company in September 2000 at an agreed conversion rate of A$0.014 per Share for a total value of A$2,240. All of these 160,000 Shares were sold at a price of A$0.25 per Share to a number of persons in January 2007,

2.2.12. On 21 July 2006, the Company issued to Sundew Holdings Pty Ltd 200,000 Shares pursuant to a debt/equity conversion for debts assumed by the Company in respect of services provided to Oceania Tasmania dating back to 1997 at an agreed conversion rate of A$0.014 per Share for a total value of A$2,800.

2.2.13. On 28 February 2006, the Company issued to the David James Bendall Family Trust ("DJBFT") 1,351,388 Shares pursuant to a debt/equity conversion in respect of loans made by the DJBFT to Oceania Tasmania and ZZ Exploration, at a conversion rate of A$0.25 per Share, for a total value of A$337,847. On 7 June 2006, 3,911,036 Shares were issued to the DJBFT at an issue price of A$0.1342 (equivalent to US$0.10) per Share. 1,166,101 of such Shares were issued in compliance with previous agreement between the parties as additional consideration for the aforementioned debt/equity conversion. DJBFT paid A$368,370 as consideration for the remaining 2,744,935 Shares on 31 January 2007.

2.2.14. On 28 February 2006, the Company issued to David James Bendall Family Trust 4,000,000 Shares upon conversion of a A$1,000,000 convertible unsecured note issued under agreement dated 25 July 2001 between the Company and Malcolm Bendall, David James Bendall and the David James Bendall Family Trust in respect of the purchase of Oceania Tasmania at an agreed conversion rate of A$0.25 per Share for a total value of A$1,000,000.

2.2.15. On 11 October 2005, the Company issued to Golden Elm Pty Ltd 200,000 Shares pursuant to an application for ordinary shares in respect of settlement of all past claims relating to the acquisition of Oceania Tasmania.

2.2.16. On 12 August 2005, the Company issued to Cyber Finance Group Ltd 4,865,635 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$1,216,409.

2.2.17. Pursuant to a rights issue to existing shareholders, on 10 February 2005, the Company issued to Ernest Hall & Sons Pty Ltd 40,000 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$10,000.

2.2.18. Pursuant to share offer application form received by the Company on 6 December 2004, on 29 November 2004, the Company issued to DT Clifford and ML Clifford, collectively, 20,000 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$5,000.

2.2.19. Pursuant to a rights issue to existing shareholders, on 29 November 2004, the Company issued to JL Hickman and RB Hickman, collectively, 4,000 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$1,000.

2.2.20. Pursuant to a rights issue to existing shareholders, on 15 June 2004 and 2 June 2004, the Company issued to Ernest Beresford Peter Hall 62,700 Shares and 80,000 Shares, respectively, at an agreed price per share of A$0.25 for a total subscription price of A$35,675.07.

2.2.21. Pursuant to share offer application form received by the Company on 4 March 2004, the Company issued to Graeme A Devlin 200,000 ordinary shares at an agreed price per Share of A$0.25 for a total subscription price of A$50,000.

2.2.22. Pursuant to section 708 (1) of the Act, on 2 June 2004, the Company issued to Ernest Hall & Sons Pty Ltd. 80,000 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$20,000.

2.2.23. Pursuant to section 708(1) of the Act, on 7 February 2004, the Company issued to Ernest Beresford Peter Hall 80,000 Shares at an agreed price per Share of A$0.25 for a total subscription price of A$20,000.

2.2.24. Pursuant to an agreement dated 22 January 2004 in respect of the purchase of a Toyota motor vehicle, on 22 January 2004, the Company issued to Condor Oil Investments Pty Ltd 52,000 Shares at an agreed price per Share of A$0.25 for a total value of A$13,000, as described in paragraph 8.6 of this Part V.

2.3. Pursuant to a Convertible Unsecured Note Certificate and attached terms and conditions dated 29 November 2006 issued to Wind City Inc. and subsequently assigned to Europe Wind III B.V. ("Note"), the Company received £2,000,000. The Note converts automatically upon Admission into such number of Shares at the conversion price on the Admission Date and conditional on Admission becoming effective. The conversion price per Share is 13.65p. On the date of conversion the Company will apply the £2,000,000 towards payment for the Shares and the Company will allot 14,652,014 Shares to Europe Wind III B.V. Further details in relation to this agreement are set out in paragraph 10.20 of this Part V.

2.4. Under its Nominated Adviser and Broker Agreement with the Company, Libertas Capital is entitled to equity in the Company equivalent to 3 per cent. of the value of the Placing Shares.

2.5. The Placing Shares will be issued pursuant to the authorities and powers given to the Directors of the Company to issue shares as contained in the Company's Constitution. A summary of these provisions of the Constitution is set out in paragraph 3 of this Part V.

2.6. No more than 10 per cent. of the issued ordinary share capital as at the date of this document has been paid for with assets other than cash for the period covering the latest three financial years.

2.7. The issued ordinary and fully paid share capital of the Company as at the date of this document is 69,303,507 Ordinary Shares.

2.8. Immediately following Admission, the issued ordinary and fully paid share capital of the Company will be 131,801,674 Shares.

2.9. No securities of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.10. The Company has 2,700,000 options outstanding over the share capital of the Company entitling the option holders, being all of the Directors, to subscribe in aggregate for 2,700,000 Ordinary Shares as described in paragraph 5.2 of Part V. All these options were granted under the Share Option Plan, a summary of which is set out in paragraph 4 of this Part V.

2.11. Save as disclosed in this document and apart from the issue of Placing Shares:

2.11.1. no share or loan capital of the Company has been issued or is proposed to be issued;

2.11.2. there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;

2.11.3. there are no shares in the Company not representing capital;

2.11.4. there are no shares in the Company held by or on behalf of the Company itself or by subsidiaries of the Company;

2.11.5. there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company or an undertaking to increase the share capital of the Company;

2.11.6. no person has any preferential subscription rights for any share capital of the Company;

2.11.7. no share or loan capital of the Company or any member of the Group is under option or agreed conditionally or unconditionally to be put under option;

2.11.8. no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

2.12. The Ordinary Shares have not been admitted to dealings on any recognised investment exchange or other trading facility nor has any application for such admission been made, and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

2.13. The Ordinary Shares are not redeemable and would only be convertible into some other class of share with the appropriate shareholder majority. Shares can be bought subject to the Corporations Act.

2.14. The Ordinary Shares may be held in certificated form or uncertificated form. The Constitution permits the holding and transfer of depositary interests in Ordinary Shares under CREST. Computershare UK is in charge of keeping the records in respect of Ordinary Shares held in uncertificated form. Please refer to paragraph 16 of Part I and paragraph 13 of Part V for further details regarding settlement of Ordinary Shares and depositary interests.

2.15. The currency of the Placing Shares is Pounds Sterling.

2.16. The International Security Identification Number of the Ordinary Shares is AU0000XINEA1.

3. Constitution

The Constitution includes provisions to the following effect:

3.1. *Application of the Act and Listing Rules*

The rules that apply as replaceable rules to companies under the Act do not apply to the Company except so far as they are repeated in the Constitution.

3.2. *Share Capital*

The directors are authorised to exercise all powers of the Company to give effect to any resolution altering the Company's share capital including issue, allot or grant options for, or otherwise dispose of, shares in the Company.

3.3. *Directors Authority to allot shares*

Directors shall not exercise any power to allot shares in the Company and any right to subscribe for, or convert, shares in the Company, unless they are authorised to do so by a resolution of members in a general meeting, provided that during the period following Admission up until the first annual general meeting, the directors are authorised to issue such further Shares not exceeding one-third of the then issued share capital. However, this does not include:

(a) shares in the Company allotted, or any right to subscribe for or convert any security into shares in the Company granted, as part of any offering or placing of shares in the Company which culminated in Admission; and

(b) shares in the Company allotted pursuant to any right granted before Admission (whether or not such right was expressed to be conditional on Admission),

3.4 *Indemnities*

If the Company becomes liable for any reason under a law to make a payment in respect of a holder's shares or in any way/on account of or relating to a holder, the holder must fully indemnify the Company and pay interest on any payments owed to the Company.

3.5. *Pre-Emption Rights*

The Company shall not allot any equity securities, as defined in the Constitution, in the Company for cash on any terms to a person unless it has made an offer to each person who holds shares to allot to them on the same or more favourable terms a proportion to those shares almost equal to the proportion of shares already held by that person, unless the period during which any such offer may be accepted has expired or notice of the refusal or acceptance of every offer has be received by the Company.

Directors may be given power by a special resolution to allot shares in derogation of the rules referred to above.

In the period following Admission until the first general meeting of the Company, the directors are authorised to allot for cash on a non-pre-emptive basis such number of equity securities which do not exceed 10% of the outstanding issued share capital of the Company immediately following Admission, and the issue of shares as part of any offering or placing of shares which culminated in Admission.

3.6. *Preference Shares*

The Company may issue preference shares which, at the option of the Company or holder, are able to be redeemed or converted into Ordinary Shares. Holders of Preference Shares have priority to the payment of any dividend over holders of Ordinary Shares. The rights attached to Preference Shares are those set out in the Constitution.

3.7. *Voting Rights*

Subject to any rights or restrictions attached to any Shares or class of shares, each Shareholder entitled to vote may vote in person or by proxy, attorney or representative. On a show of hands every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote and on a poll, every person present who is a Shareholder or proxy, attorney or representative of a Shareholder has one vote for each fully paid share held, but in respect of partly paid shares shall have the number of votes being equivalent to the proportion paid up on those shares.

3.7.1. *Joint Holders*

A joint holder may vote at a meeting either personally or by proxy, attorney or representative as if that person was the sole holder. If more than one joint holder tenders a vote in respect of the relevant shares, the vote of the holder named first in the register must be accepted to the exclusion of the votes of the other joint holders.

3.7.2. *Non-registered holders*

A person entitled to a share because of a transmission event (as defined in the Constitution, to include, for example, death) may vote at a general meeting in respect of that share in the same way as if that person were the registered holder of the share if the directors:

(a) admitted that person's right to vote at that meeting in respect of the share; or

(b) were satisfied of that person's right to be registered as the holder of, or to transfer, the share.

Any vote duly tendered by that person must be accepted and the vote of the registered holder of those shares must not be counted.

3.8. *Dividends*

Subject to the AIM Rules, the directors may pay any dividend that the financial position of the Company justifies. However, the directors may rescind a decision to pay a dividend if they decide, before payment, that the Company's financial position no longer justifies the payment. Interest is not payable by the Company on any dividend.

All dividends must be paid equally on all shares, except that a partly paid share confers an entitlement only to the proportion of the dividend which the amount paid (not credited) on the share is of the total amounts paid and payable (excluding amounts credited).

The directors, when paying a dividend, may direct payment of the dividend wholly or partly by distribution of specific assets, including fully paid shares or other securities of the Company or of any other body corporate, either generally or to specific members.

Subject to the Listing Rules, the Act and any rights or restrictions attached to any shares or class of shares and any special resolution of the Company, the directors may capitalise and distribute among the holders entitled to receive dividends any amount forming part of the undivided profits of the Company or otherwise available for distribution as a dividend.

3.9. *Redemption and purchase of own shares*

There is no specific provision in the Constitution providing for the redemption or purchase by the Company of its share capital. There are however special procedures requiring member approval under the Act.

3.10. *Distribution of assets on a winding-up*

Subject to the Constitution and any rights or restrictions attaching to any Shares or class of shares, on winding up, the liquidators of the Company may divide among the Shareholders the property of the Company available for distribution after payment of

(a) all the debts and liabilities of the Company; and

(b) the costs, charges and expenses of the winding up.

The excess must be divided among the Shareholders in proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares.

3.11. *Variation of Rights*

The rights attached to any class of shares may (unless their terms of issue state otherwise) be varied with the consent of the holders of a three-quarters majority of the shares of the class, or by special resolution passed at a separate meeting of the holders of shares of the class.

The rights conferred on the holders of any class of shares are deemed not to be varied by the creation or issue of further shares ranking equally with them.

3.12. *Transferability*

3.12.1. *Form of transfer*

Subject to the Constitution and any restrictions attached to a member's shares, a member may transfer any of their shares by a written transfer in any usual form or in any other form approved by the directors.

A transferor of shares remains the holder of the shares until a proper transfer has been effected or the transferee's name is entered in the register of members.

3.12.2. *Right to refuse registration*

The directors may decline to register, or prevent registration of, a transfer of shares or apply a holding lock to prevent a transfer including in circumstances required by the Act or the AIM Rules.

3.12.3. *Power to suspend registration of transfers*

The directors may suspend the registration of transfers at any time, and for any period, subject always to the Act, the AIM Rules and the United Kingdom Uncertificated Securities Regulations 2001 in respect of any securities permitted to be transferred by means of an uncertificated system.

3.13. *Uncertificated shares and depositary interests*

The directors may do anything that is necessary or desirable for the Company to participate in any computerised, electronic or other system for facilitating the transfer of shares or operation of the Company's registers operated or sponsored by the London Stock Exchange or a related body corporate of the London Stock Exchange or approved or permitted pursuant to the United Kingdom Uncertificated Securities Regulations 2001.

Subject to the Act and the United Kingdom Uncertificated Securities Regulations 2001, the directors shall have power to implement and/or approve any arrangements that they may think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of the Constitution shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer of the shares in the capital of the Company represented.

3.14. *Pre-emption rights on Transfer*

The Constitution does not provide for pre-emptive rights on the transfer of securities.

3.15. *Borrowing Powers*

The directors may exercise all the powers of the Company to borrow money, to charge any of the Company's property or business or any of its uncalled capital, and to issue debentures or give any security for a debt, liability or obligation of the Company or of any other person, subject to the Act and the Constitution.

Borrowings of the Company owing to any person outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 3 times the aggregate of:

(a) the amount paid up on the issued share capital of the Company;

(b) the amount outstanding to the total of the capital and revenue reserves of the Group (including any share premium account, capital redemption reserve fund or revaluation reserve and credit or debit balance on any other reserve, all shown in the relevant balance sheet of the Group after making certain adjustments as prescribed by the Constitution).

For the purposes of the limit set out above, certain sums returned by, advanced or paid to any related corporate body of the Company should not be taken into account.

3.16. *Directors*

3.16.1. *Number of directors*

The number of directors must be such a number not less than 3 and not more than 12 as the directors determine, unless the Company in general meeting determines otherwise. The directors must not determine a maximum which is less than the number of directors in office at the time the determination takes effect. All directors shall be natural persons.

The Company may by resolution and in accordance with Section 203D of the Act remove a director from office and by resolution fill the vacancy created by such removal.

3.16.2. *Directors' Appointment and Retirement by Rotation*

At each annual general meeting of the Company one-third of the directors (rounded down if necessary to the nearest whole number); and any other director who, if he or she does not retire, will at the conclusion of the meeting have been in office for 3 or more years (excluding the managing director), must retire from office as director.

The directors to retire at an annual general meeting must be those who have been longest in office since their last election but, as between persons who were became directors on the same day, those to retire must be determined by agreement amongst themselves or, in the absence of agreement, by lot. A retiring director is eligible for re-election.

The Company may by resolution in accordance with the Act remove a director from office and by resolution elect another person to fill that office.

3.16.3. *Remuneration of directors*

The directors may be paid as remuneration from the Company for their services, which must not exceed an aggregate maximum sum (not being a commission or percentage of profits on operating revenue) of A$1.1 million per annum, unless otherwise determined by the Company in a general meeting. This aggregate maximum sum does not include any renumeration for services provided by a director as an employee or in any other capacity, paid to a superannuation, retirement or pension fund or for any insurance premium paid or agreed to be paid for a director under the Constitution. The directors are entitled to be paid all travelling expenses and if a director, with the concurrence of the other directors, performs extra services for the benefit of the Company, the directors may cause that director to be paid out of the funds of the Company such additional renumeration as the directors decide.

3.16.4. *Pension and Superannuation for directors*

The directors may establish or support, or assist in the establishment or support, of funds and trusts to provide pension, retirement, superannuation or similar payments or benefits to the directors or former directors and grant pensions and allowances to those persons or their dependants either by periodic payments or a lump sum.

3.16.5. *Directors' interests*

Subject to the Act and the Constitution, any director may:

(a) make regulations requiring the disclosure of interests that a director, and any person deemed by the directors to be related to or associated with the director, may have in any matter concerning the Company or a related body corporate;

(b) be or become a director of or otherwise hold office of, or be interested in, any related body corporate or any other body corporate, and need not account to the Company for any remuneration or other benefits the director receives;

(c) hold any office or position (except auditor) in the Company or a related body corporate in conjunction with his or her directorship and may be appointed to that position on terms (including remuneration and tenure) as the Directors decide.

No act, transaction, agreement, instrument or resolution is invalid or voidable where a director discloses his interest in the relevant matter in accordance with the Act or any regulation made under 3.14.5(a) above or where a director's interest in the matter is immaterial or remote.

3.16.6. *Restrictions on Directors' voting*

Except as permitted by the Act, a director who has a material personal interest in a matter that is being considered at a meeting of directors may not vote, be present nor be counted in a quorum at the meeting in accordance with the provisions of the Act.

3.16.7. *Responsibilities and Powers*

The directors are responsible for managing the business of the Company and may exercise all powers and do all things that are within the Company's power and are not expressly required by the Corporations Act or the Constitution to be exercised by the Company in general meeting.

3.16.8. *Board Meetings*

The directors may meet together, or hold a meeting by telephone or other electronic means to attend to business and adjourn and otherwise regulate their meetings as they decide. A director may, whenever the director thinks fit, call a meeting of the directors. A secretary must, if required by a director, call a meeting of the directors. No business may be transacted at a meeting of directors unless a quorum of directors is present at the time the business is dealt with. A quorum consists of:

(a) if the directors have fixed a number for the quorum, that number of directors; and

(b) in any other case, 2 directors.

3.16.9. *Delegation of powers*

The directors may delegate any powers to a committee of directors. A committee to which any powers have been delegated must exercise the powers delegated in accordance with any directions of the directors. The directors may also appoint one or more of the directors to the office of managing director or other executive director.

The directors may also delegate any of their powers to one director, who must perform that additional function in accordance with any directions of the directors.

3.17. *General Meetings*

In accordance with the Act, the Company must hold an annual general meeting at least once every calendar year, and within the period of 5 months after the end of the financial year, at such time and place as determined by the directors.

A general meeting may only be called by a directors' resolution or as otherwise provided in the Act. No business may be transacted at a general meeting, except the election of a chairperson and the adjournment of the meeting unless a quorum of 2 members who are entitled to vote on a resolution at the meeting are present when the meeting proceeds to business.

3.17.1. *Notice*

Notice of a general meeting must be given to each member, director or auditor of the Company. The content of a notice of a general meeting called by the directors is to be decided by the directors, but must state the general nature of the business to be transacted at the meeting any other matters required by the Act and the AIM Rules.

Unless the Act provides otherwise no business may be transacted at a general meeting unless the general nature of the business is stated in the notice calling the meeting and except with the approval of the directors or the chairperson, no person may move any amendment to a proposed resolution the terms of which are set out in the notice calling the meeting or to a document which relates to such a resolution and a copy of which has been made available to members to inspect or obtain.

A person may waive notice of any general meeting by written notice to the Company.

3.18. *Forfeiting partly paid shares*

If a member fails to pay the whole of a call or an instalment of a call by the time specified for payment, the directors may serve a notice on that member requiring payment of the unpaid part of the call or instalment, giving a further time by which it is to be paid and stating that if the amount is not paid the shares will be liable to be forfeited. If a member does not comply with the notice, the directors may by resolution forfeit any share at any time after the day named in the notice and before the payment required by the notice is made.

A forfeited share becomes the property of the Company and the directors may sell, reissue or otherwise dispose of the share.

A person whose shares have been forfeited ceases to be a member as to the forfeited shares, but must, if the directors decide, pay all calls, instalments, interest, costs, expenses and damages owing on the shares at the time of the forfeiture; and interest on the unpaid part.

3.19. *Proportional takeover bids*

Where offers are made under a proportional takeover bid, directors must convene a general meeting of persons entitled to vote and make a resolution approving the bid. The bidder and any associates of the bidder are not entitled to vote on the approving resolution. Such a resolution is taken to have been passed if the number of votes in favour is greater than 50%. This requirement as set out in Rule 6 of the Constitution ceases to have effect on 30 December 2009 unless renewed earlier in accordance with the Act.

3.20. *Disclosure of Interests*

The Constitution includes a compulsory notification procedure for shareholders. A person who has an interest in Company shares must notify the Company in writing at any time when the aggregate nominal value of the shares in which that person has interests is equal to or more than 3% of the nominal value of the Company's issued share capital.

4. Share Option Plan

The Company operates the 2006 Share Option Plan Rules which enables directors and employees of the Company to be granted options to acquire ordinary shares in the share capital of the Company. The Share Option Plan provides the directors with a means to attract, retain and reward directors and employees. The key provisions of the Share Option Plan are as follows:

4.1. *Eligibility*

The remuneration committee of the Board or, if such a committee has not been appointed, the Board itself, in its entire discretion, may grant options to any employee or a director of:

(a) the Company;

(b) a related body corporate;

(c) a body corporate that has voting power in the Company of not less than 20%; or

(d) a body corporate in which the Company has voting power of not less than 20%.

No option may be granted to a person on any date which is less than 2 years before the date at which the person is bound to retire under their contract of employment.

No option may be granted to a person if, on the intended date of the grant, the market value of the shares for which the option can be exercised, when aggregated with the market value of shares for which other options granted under the Share Option Plan or any other share option scheme adopted by the Company in the same calendar year may be exercised, would exceed four times that person's annual remuneration. In applying this test, options granted prior to Admission shall not be taken into account.

4.2. *Grant of options*

Subject to the AIM Rules, the Act and the Share Option Plan, options may be granted at any time until the later of 42 days after the Plan is approved by the Company and the date of Admission, and thereafter:

(a) at any time within the period of 42 days immediately succeeding the announcement to the London Stock Exchange of the Company's annual or interim results; or

(b) at any other time if the Board considers that exceptional circumstances exist to justify the grant at such other time, including the achievement by the Company of certain strategic milestones.

Notwithstanding the above, no option may be granted after 6 October 2016.

4.3. *Share capital limits on options*

No option may be granted if the number of shares issued on its exercise in full, when, aggregated with the number of shares that have or may be issued upon the exercise of options granted under the Share Option Plan or any other Employees' Share Plan adopted by the Company in the period of 10 years ending, on that date, would exceed 10 per cent of the number of the Company's Ordinary Shares in issue on that date. In applying this test, options granted prior to, or conditional upon, Admission shall not be taken into account.

4.4. *Compliance with law*

No option may be granted to any person if to do so would contravene any of the AIM Rules, Australian laws or any other applicable law.

4.5. *Exercise of options*

4.5.1. *Rights*

Options granted in accordance with the Share Option Plan may be exercised in whole or in part in accordance with the Share Option Plan Rules.

In summary, options may only be exercised:

(a) after any vesting period specified by the remuneration committee of the Board or the Board has expired;

(b) provided the remuneration committee of the Board or the Board is satisfied that any objective conditions which apply to the option pursuant to the Share Option Plan have been met; and

(c) provided such exercise occurs before the date such option would expire or lapse, or such earlier date as determined by the remuneration committee of the Board or the Board.

In the occurence of a transaction which results in a change of control of the Company, accelerated vesting of the right to exercise an option shall apply as prescribed by the Share Option Plan.

4.5.2. *Option holder ceases employment or to hold office*

If an option holder ceases employment with the Company or another participating company by reason of:

(a) injury, disability or ill-health; or

(b) redundancy; or

(c) a subsidiary ceasing to be under the control of the Company, or a business or part of a business being transferred to a person who is neither an associated company nor a company of which the Company has control, the option holder may exercise the option to the extent vested within 6 months of cessation of employment.

Where the option holder ceases to hold office or employment, as required by the Share Option Plan, for any other reason any option shall lapse on the date of cessation, except to the extent that the remuneration committee of the Board or the Board consent to the exercise of such option to the extent vested in whole or in part during a period ending up to 12 months after tha date of such cessation.

4.5.3. *Option holder dies*

If an option holder dies, the deceased's personal representative may, to the extent vested, exercise the options within 12 months of the death of the option holder, after which, to the extent it remains unexercised, the option shall lapse.

4.5.4. *Voluntary wind-up of the Company*

If the Directors resolve to voluntarily wind up the Company, except for the purposes of a reconstruction, option holders may exercise the portion of their options which is vested at the time until that resolution is passed or duly defeated, after which time an option shall lapse.

4.5.5. *Other circumstances in which options lapse*

In addition and notwithstanding the circumstances set out above, options lapse in any of the following circumstances:

(a) the fifth anniversary of the date of grant, save for options granted prior to the adoption of the Plan, or conditional upon Admission, which lapse on the fifth anniversary of Admission;

(b) the conclusion of a period during which any person (or group of persons acting in concert) becomes bound or entitled to acquire shares in the Company under Chapter 6A of the Corporations Act (compulsory acquisition procedures);

(c) the conclusion of any liquidation or winding-up of the Company (other than in connection with a reconstruction); or

(d) the option holder being adjudicated bankrupt.

4.6. *Manner of exercise of options*

An option shall be exercised by notice in writing, accompanied by the relevant option certificate and a remittance for the exercise price.

Within 3 business days of receipt, the Company will issue the shares in respect of the exercised options and provide a share certificate in respect of same.

Shares issued following the exercise of any option under the Plan are to rank equally with those ordinary shares already on issue.

4.7. *Exercise Price*

The exercise price payable (denominated in pounds sterling unless the remuneration committee of the Board or the Board determines otherwise) shall be determined by the remuneration committee of the Board or the Board, but shall not be less than the higher of:

(a) the nominal value of an Ordinary Share of the Company; and

(b) the market value on the date of grant,

save that the remuneration committee of the Board or the Board may in its absolute discretion waive the requirement set out in (b) above in exceptional circumstances.

4.8. *Non-Transferability of options*

Options cannot be transferred, assigned or charged. Any purported transfer, assignment or charge results in the option lapsing.

4.9. *Change in Control*

If the Company is acquired by another company by way of either a sale or a reconstruction, the option holder may, by agreement with the acquiring company, release his option in consideration of the grant to him of an equivalent right over shares in the acquiring company.

4.10. *Adjustment of option terms*

The number of shares that are the subject of an option and/or the relative exercise price attaching may be adjusted by the remuneration committee of the Board or the Board upon the occurrence of any capitalisation, issue of shares or offer by way of rights or upon any sub-division, reduction or consolidation or other variation of the share capital of the Company after the date on which the option is granted.

4.11. *Administration and Amendment of Share Option Plan Rules*

Subject to compliance with the AIM Rules and the Act, the Board may vary and amend the terms of the Share Option Plan, provided that, except with approval of the Company in general meeting, no amendment to the material advantage of option holders may be made to the provisions relating to the definition of "eligible person", share capital and individual limits and the basis for determining and adjusting an option holder's entitlement.

However, no amendment can be made to the Share Option Plan Rules to the extent to which it would detrimentally affect the subsisting rights of an option holder with respect to an option granted prior to the amendment being made unless the sanction of option holders has been obtained in accordance with the provisions for alteration of class rights contained in the Constitution. An extraordinary resolution of a meeting of option holders held in accordance with the Share Option Plan Rules shall have the power to sanction any scheme or compromise any arrangement affecting options or the rights thereunder and shall be binding on all option holders.

4.12. *Tax*

The option holder is solely liable for any taxes deriving from the grant, exercise or other dealing in the option and the option holder indemnifies the Company and any subsidiary of the Company in respect of any taxes it incurs in respect of same, whether or not as a consequence of a change in the relevant tax legislation, practice of the relevant taxation authority or rate imposed.

4.13. *Governing Law*

The Plan and the rights of option holders deriving from the Share Option Plan are governed and construed in accordance with the laws of Tasmania, Australia.

5. Directors' and Other Interests

5.1. As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated) of the Directors and their families in the share capital of the Company which (i) have been notified to the Company pursuant to sections 324 or 328 of the UK Companies Act 1985 (the "UK Act"), or which (ii) are required to be disclosed in the Register of Directors' Interests pursuant to section 325 of the Act, or which (iii) are interests of a person connected (within the meaning of section 346 of the UK Act) with a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director were and will be as follows:

Director	*Number of Ordinary Shares as at the date of this document*	*Percentage of issued ordinary share capital as at the date of this document*	*Number of Ordinary Shares immediately following Admission*	*Percentage of issued ordinary share capital immediately following Admission*
Michael Roberts	Nil	Nil	Nil	Nil
Malcolm Bendall[(1), (2)]	7,433,710	10.73%	7,433,710	5.64%
John Pollard[(3)]	40,000	0.06%	40,000	0.03%
Stuart Lloyd	100,000	0.14%	100,000	0.08%
Keith Laing	Nil	Nil	Nil	Nil
Clive Burrett[(4), (5)]	214,250	0.31%	214,250	0.16%
Stephen Powell	360,000	0.52%	360,000	0.27%
Frank Lewis	Nil	Nil	Nil	Nil

Note

(1) 6,183,455 of these Shares are held by the David James Bendall Family Trust.

(2) Additionally, David James Bendall, Malcolm Bendall's father, holds 1,100,402 Shares in the Company; Lloyd Bendall, Malcolm Bendall's great uncle, holds 160,000 Shares in the Company; and, Condor Oil Investments Pty Ltd, a company of which Malcolm Bendall is a director, holds 52,000 Shares in the Company.

(3) These Shares are held by 7 Stars Pty Ltd., John Pollard's Superannuation Fund.

(4) 74,250 of these Shares are held by the Burrett Superannuation Fund.

(5) Additionally, Clive Burrett's sister, Diana Mary Church, holds 10,000 Shares in the Company.

5.2 As at the date of this document, the Directors will hold the following Options to subscribe for Ordinary Shares:

Name of Director	*Number of Options*	*Vesting Date*	*Expiry Date*[1]	*Exercise Price Per Ordinary Share*
Michael Roberts	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Malcolm Bendall	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
John Pollard	200,000	vesting on Admission	5th anniversary of Admission	Placing Price
	200,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	200,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Stuart Lloyd	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Keith Laing	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Clive Burrett	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Stephen Powell	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%
Frank Lewis	100,000	vesting on Admission	5th anniversary of Admission	Placing Price
	100,000	1st anniversary of Admission	5th anniversary of Admission	Placing Price
	100,000	2nd anniversary of Admission	5th anniversary of Admission	Placing Price plus 30%

Note

[1] The options fall away if option-holder resigns or is removed from office for cause

5.3. Save as disclosed above, none of the Directors nor any member of their respective families nor any person connected with the Directors (within the meaning of Section 346 of the UK Act) has any interest, whether beneficial or otherwise, in the share capital of the Company.

5.4. None of the Directors nor any member of a Director's family (as defined in the AIM Rules) is interested in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet.

5.5. Save as disclosed in paragraphs 8.4 and 10.20, there are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors nor are there any outstanding loans or guarantees provided by any of the Directors for the benefit of the Company.

5.6. Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and which remains in any respect outstanding or unperformed.

5.7. Save as disclosed in paragraph 5.1, the Directors are aware of the following persons who, as at the date of this document and immediately following Admission were or will be interested, directly or indirectly, in three per cent. or more of the issued ordinary share capital of the Company:

Name	*Number of Ordinary Shares as at the date of this document*	*Percentage of issued ordinary share capital at the date of this document*	*Number of Ordinary Shares immediately following Admission*	*Percentage of issued ordinary share capital immediately following Admission*
Credit Suisse Client Nominees (UK) Limited[1]	9,760,000	14.08%	15,913,846	12.07%
David James Bendall Family Trust[2]	6,183,455	8.92%	6,183,455	4.69%
Terralinna Pty Ltd[3]	6,100,000	8.80%	6,100,000	4.63%
Batego Limited	5,000,000	7.21%	5,000,000	3.79%
Wind City Inc.[4]	4,500,000	6.49%	19,152,014	14.53%
Kingdom Securities Pty Ltd	4,000,000	5.77%	4,000,000	3.03%
Peilin Guo	3,750,000	5.41%	3,750,000	2.85%
Cyber Finance Group Limited[5]	2,641,403	3.81%	2,641,403	2.00%
Maitland Investments Ltd	2,440,000	3.52%	2,440,000	1.85%
David Andrew Tanner[6]	2,100,000	3.03%	2,100,000	1.59%

Notes

(1) These Shares are held as nominee for RAB Special Situations (Master) Fund Limited.

(2) Malcolm Bendall is the appointor and a beneficiary of this trust.

(3) 5,300,000 of these Shares are held by Terralinna Pty Ltd. as trustee for the Phillip Simpson Family Trust and 800,000 of these Shares are held as trustee for the Terralinna Executive Superfund.

(4) These Shares include the 14,652,014 Shares issued on conversion of the Note to Europe Wind III B.V. a company indirectly controlled by Wind City Inc.

(5) Clive Burrett is the sole director of Cyber Finance Group Limited. Cyber Finance Group Limited is a wholly-owned subsidiary of Empire Energy of which Malcolm Bendall is a director and Chief Executive Officer and Clive Burrett is also a Director.

(6) David Andrew Tanner is a former director of Zeehan Zinc. The 2,100,000 Shares beneficially held by Mr. Tanner include 1,600,000 Shares held by DA Tanner Holdings Pty, of which Mr. Tanner is the sole shareholder.

5.8. Save as disclosed in paragraphs 5.6 and 5.7 of this Part V, the Directors are not aware of any person who, at the date of this document and immediately following Admission, was or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company.

5.9. The Company's major shareholders (as disclosed in paragraphs 5.1 and 5.7 of this Part V) do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.

5.10. Save as disclosed in paragraphs 5.1 and 5.7 of this Part V, the Company is not directly or indirectly owned or controlled by any person.

5.11. There are no arrangements known to the Company and the Directors the operation of which may at a subsequent date result in a change of control of the Company.

6. Director's Service Contracts, Remuneration and Employees

6.1. The Company has two executive directors, John Pollard and Stuart Lloyd, who have entered into executive service agreements with the Company. The principal terms are set out below:

6.1.1. *John Pollard, Chief Executive Officer*

John Pollard entered into an employment agreement with the Company dated 10 November 2006. On that day he became the Chief Executive Officer of the Company. On 16 November 2006 he was appointed a director of the Company. John was previously employed as the Chief Financial Officer of the Company.

The agreement can be terminated on 6 months written notice by either party. The Company may either retain him for all or part of the notice period, or pay him in lieu of notice salary and other benefits for that part of the notice period for which he is not retained. There are also provisions for

summary dismissal in circumstances where he: is guilty of serious misconduct or wilful neglect; fails to comply with a lawful and reasonable direction given by the Company; commits a serious or persistent breach of any provisions of the agreement; engages in any conduct which may injure the reputation or standing of the Company; is convicted of an offence involving fraud or dishonesty; or, is convicted of an offence punishable by imprisonment. If summarily dismissed, he is only entitled to salary and other benefits accrued up to the date of dismissal.

Under the agreement, John Pollard is entitled to payment for his services at the rate of A$150,000 per annum to be paid monthly in arrears directly into a bank account nominated by him as well as A$50,000 per annum superannuation to be paid into such superannuation fund or funds as he directs. The Board has reviewed the salary and resolved to increase it to A$220,000 per annum plus 9% superannuation, effective 1 January 2007.

The Company is to reimburse reasonable expenses which he necessarily incurs in the furtherance of the Company's business, provided such expenses have been approved in advance. John Pollard is also entitled to a A$20,000 car allowance per annum.

John Pollard is to carry out the responsibilities of his position as specified by the Company from time to time. He has agreed to work on the days and for the hours during which the Company is generally open for business (9am – 5.30pm business days). He is entitled to four weeks of paid annual leave each year and 10 days of paid personal leave.

If the Company cannot usefully utilise his services, the Company has the right to suspend John Pollard's employment without pay. If the Company has reasonable grounds to suspect that he has breached a term of the employment agreement, the Company may suspend his employment, with pay, to investigate the suspected breach.

On termination of employment for whatever reason, unless the Company otherwise agrees, John Pollard must within 7 days resign from all directorships and other offices that he holds in the Group.

The employment agreement also contains requirements as to compliance with work rules, the use of confidential information, intellectual property, public statements, share dealings, non-competition and restraints on carrying on business of a similar nature after termination of employment with the Company.

6.1.2. *Stuart Lloyd, Chief Financial Officer*

(a) Service Agreement

Stuart Lloyd entered into an employment agreement with the Company dated 30 November 2006, effective 10 November 2006. He is the Chief Financial Officer of the Company on an interim basis, pending the employment by the Company of a Chief Financial Officer on a full time basis. On 16 November 2006 he was appointed an executive director of the Company. Stuart was previously a non-executive director of the Company.

The agreement can be terminated on 14 days notice by either party. The Company may either retain him for all or part of the notice period, or pay him in lieu of notice salary and other benefits for that part of the notice period for which he is not retained. There are also provisions for summary dismissal in circumstances where he: is guilty of serious misconduct or wilful neglect; fails to comply with a lawful and reasonable direction given by the Company; commits a serious or persistent breach of any provisions of the agreement; engages in any conduct which may injure the reputation or standing of the Company; is convicted of an offence involving fraud or dishonesty; or, is convicted of an offence punishable by imprisonment. If summarily dismissed, he is only entitled to salary and other benefits accrued up to the date of dismissal.

Under the agreement, Stuart Lloyd is entitled to payment for his services at the rate of A$150,000 per annum to be paid monthly in arrears directly into a bank account or superannuation fund nominated by him. Stuart Lloyd is also entitled to 9% superannuation as required by statute.

The Company is to reimburse reasonable expenses which he necessarily incurs in the furtherance of the Company's business, provided such expenses have been approved in advance.

Stuart Lloyd is to carry out the responsibilities of his position as specified by the Company from time to time. Stuart Lloyd and the Company are to agree the number of hours per week he is to work. The intention is that Stuart will work at least 24 hours per week. He is entitled to four weeks of paid annual leave each year and 10 days of paid personal leave.

If the Company cannot usefully utilise his services, the Company has the right to suspend Stuart Lloyd's employment without pay. If the Company has reasonable grounds to suspect that he has breached a term of the employment agreement, the Company may suspend his employment, with pay, to investigate the suspected breach.

On termination of employment for whatever reason, unless the Company otherwise agrees, Stuart Lloyd must within 7 days resign from all directorships and other offices that he holds in the Group.

The employment agreement also contains requirements as to compliance with work rules, the use of confidential information, intellectual property, public statements, share dealings, non-competition and restraints on carrying on business of a similar nature after termination of employment with the Company.

(b) Letter of Appointment

It is intended that Stuart Lloyd be the Chief Financial Officer of the Company on an interim basis. Upon appointment of a full-time Chief Financial Officer for the Company, Stuart Lloyd's service agreement will be replaced by terms of appointment as a director similar to other directors.

As and when he assumes the office of non-executive director, Mr. Lloyd's appointment can be terminated on three months written notice at any time by either party. There will also be provisions for automatic termination in circumstances where Mr. Lloyd: is removed from office by resolution of shareholders; resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter, is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Also, he must retire by rotation as a director in accordance with the Company's Constitution.

Mr. Lloyd will be entitled to payment for his services as director at the rate of £20,000 per annum plus 9% superannuation, such fee to accrue day by day and payable monthly in arrears. He will also be entitled to be reimbursed for any reasonable expenses incurred in attending to the business of the Company.

Mr. Lloyd's duties will involve attendance at all meetings of the Company, to carry out such other functions and duties as reasonably required and to commit such time as is necessary to the discharge of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees will be payable at a rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2. The following Directors have entered into letters of appointment with the Company all of which are governed by Tasmanian Law and, the details of which are as follows:

6.2.1. *Michael Roberts, Chairman*

Mr. Michael Roberts has been a director of the Company since 31 October 2006. He entered into a letter of appointment dated 31 October 2006, effective 1 November 2006, as a Director and was then appointed Chairman, as confirmed December 2006.

Mr. Roberts' appointment can be terminated on six months written notice at any time by either party. There are also provisions for automatic termination in circumstances where he resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Unless termination is automatic, he is entitled to receive payment of the annual fee through to the end of the year during which the effective date of termination occurs. Mr. Roberts must retire by rotation as a director in accordance with the Company's Constitution.

As a director, Mr. Roberts was initially entitled to payment for his services at a rate of £20,000 per annum, with fees accrued to December 2006. Mr. Roberts assumed the role of Chairman in December 2006, when Keith Laing resigned as Chairman, and with the change in status his salary was adjusted to £36,000 per annum effective 1 January 2007. Mr. Roberts' fees are to be paid in monthly instalments.

Mr Roberts' Chairman's duties involve attendance at all meetings of the Company, and to act as principal liaison with the Chief Executive Officer, to promote the interests of the Company and to commit such time as is reasonably necessary to discharge all of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at the rate of A$1,450 per day and pro rata for a lesser amount of time. There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2.2. *Malcolm Roy Bendall, Deputy Chairman*

Malcolm Bendall has been a director of the Company since 13 August 1999. He entered into a letter of appointment dated 15 November 2006, effective 1 July 2006, as Deputy Chairman of the Company. Prior thereto, he received compensation as a consultant pursuant to an agreement between the Company and Bass Gas & Oil Pty Ltd, further details of which can be found at paragraph 8.1 of this Part V.

The appointment can be terminated on three months written notice at any time by either party. There are also provisions for automatic termination in circumstances where Mr Bendall: is removed from office by resolution of shareholders; resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Also, he must retire by rotation as a director in accordance with the Company's Constitution.

From 1 July 2006, Mr. Bendall is entitled to payment for his services as director and Deputy Chairman at the rate of £29,000 per annum plus 9% superannuation. Effective 1 January 2007, Deputy Chairman fees were increased to £30,000 per annum, plus 9% superannuation, such fees to accrue from day to day and payable monthly in arrears. He is also entitled to be reimbursed for any reasonable expenses incurred in attending to the business of the Company.

Mr. Bendall's duties involve attendance at all meetings of the Company, to carry out such other functions and duties as reasonably required and to commit such time as is necessary to the discharge of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at the rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2.3. *Keith William Laing, Non-Executive Director*

Keith Laing has been a director of the Company since 7 December 2005. He entered into a letter of appointment dated 5 September 2006, effective 1 July 2006, as a non-executive director and Chairman of the Company. He has resigned as Chairman of the Company effective 16 November 2006.

The appointment can be terminated on six months written notice at any time by either party. There are also provisions for automatic termination in circumstances where Mr Laing: resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Unless termination is automatic, he is entitled to receive payment of the annual fee through to the end of the year during which the effective date of termination occurs. Also, Mr Laing must retire by rotation as a director in accordance with the Company's Constitution.

As Chairman, Mr Laing was entitled to payment for his services at the initial rate of £48,000 per annum plus 9% superannuation, with fees accrued to 31 December 2006. Upon his resignation as Chairman effective 16 November 2006, Mr. Laing reverted to non-executive Director status with the salary adjusting to £30,000 per annum plus 9% superannuation, such fee to be paid in monthly instalments.

Mr Laing's duties as Chairman involved attendance at all meetings of the Company, to act as principal liaison with the Chief Executive Office. As a non-executive Director, primary

responsibilities are to promote the interests of the Company and to commit such time as is reasonably necessary to discharge all of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at a rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2.4. *Clive Francis Burrett, Non-Executive Director*

Clive Burrett has been a director of the Company since 15 November 2005. He entered into a letter of appointment dated 5 September 2006, effective 1 July 2006, as a non-executive director of the Company.

The appointment can be terminated on three months written notice at any time by either party. There are also provisions for automatic termination in circumstances where Mr Burrett: is removed from office by resolution of shareholders; resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Also, he must retire by rotation as a director in accordance with the company's constitution.

Mr Burrett is entitled to payment for his services as director at the rate of £20,000 per annum plus 9% superannuation, such fee to accrue from day to day, payable monthly in arrears. He is also entitled to be reimbursed for any reasonable expenses incurred in attending to the business of the Company.

Mr Burrett's duties involve attendance at all meetings of the Company, to carry out such other functions and duties as reasonably required and to commit such time as is necessary to the discharge of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at a rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2.5. *Stephen Michael Powell, Non-Executive Director*

Stephen Powell has been a director of the Company since 20 May 2003. He entered into a letter of appointment dated 5 September 2006, effective 1 July 2006, as a non-executive director of the Company.

The appointment can be terminated on three months written notice at any time by either party. There are also provisions for automatic termination in circumstances where Mr Powell: is removed from office by resolution of shareholders; resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Also, he must retire by rotation as a director in accordance with the Company's Constitution.

Mr Powell is entitled to payment for his services as director at the rate of £20,000 per annum plus 9% superannuation, such fee to accrue day by day and payable monthly in arrears. He is also entitled to be reimbursed for any reasonable expenses incurred in attending to the business of the Company.

Mr Powell's duties involve attendance at all meetings of the Company, to carry out such other functions and duties as reasonably required and to commit such time as is necessary to the discharge of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at a rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest.

6.2.6. *Frank Lewis, Non-Executive Director*

Frank Lewis has been a director of the Company since 12 November 2006. He entered into a letter of appointment, effective immediately, as a non-executive director of the Company.

The appointment can be terminated on three months written notice at any time by either party. There are also provisions for automatic termination in circumstances where he: is removed from office by resolution of shareholders; resigns in writing and the directors resolve to accept such offer; is removed by reason of mental incapacity; is in breach of the share dealing code adopted by the company upon admission to the AIM; has received an order made against him; has breached the terms of the appointment letter; is guilty of gross misconduct or serious negligence; or is prohibited by law from acting as a director. Also, he must retire by rotation as a director in accordance with the Company's constitution.

Since his appointment in October 2006, Frank Lewis has been entitled to payment for his services as director at the rate of £25,000 per annum plus 9% superannuation. Effective 1 January 2007, Directors fees have been increased to £28,000 such fee to accrue from day to day, payable monthly in arrears. He is also entitled to be reimbursed for any reasonable expenses incurred in attending to the business of the Company.

Frank Lewis' duties involve attendance at all meetings of the Company, to carry out such other functions and duties as reasonably required and to commit such time as is necessary to the discharge of his duties. Additional consulting fees are payable for services above standard board duties. The Board has resolved that such additional consulting fees are payable at a rate of A$1,450 per day and pro rata for a lesser amount of time.

There are also requirements as to the use of confidential information and obligations to disclose conflicts of interest. In addition, the Company has agreed to provide suitable and regular information in respect of the Company to Frank Lewis.

6.3. In respect of the last completed financial year of the Company, save as set out in this document, no member of the administrative, management or supervisory bodies' service contracts with the Company or any Group Company provide for benefits upon termination of employment.

6.4. The aggregate remuneration (including salaries, bonus payments, consultancy fees and benefits in kind) granted to the Directors by the Company for the year ended 30 June 2006, being the last financial year amounted to A$328,636. It is estimated that the aggregate remuneration for the Directors for the year ending 30 June 2007, being the current financial year is approximately A$927,021.

6.5. Brief details of employees of the Group for each financial year during the period covering the latest three financial years up to the date of this document are as follows:

Company	*Financial period*	*Number of employees at the end of each financial period*	*Average number of employees during financial period*	*Main categories of activity of employees*	*Main geographic locations of employees*	*Number of temporary employees on average during most recent financial year*
The Company	1 July 2003 – 30 June 2004	Nil	Nil	Administrative Staff	Tasmania	N/a
	1 July 2004 – 30 June 2005	Nil	Nil	Administrative Staff	Tasmania	N/a
	1 July 2005 – 30 June 2006	1	1	Administrative Staff	Tasmania	N/a
	1 July 2006 – date of this document	10	6	Administrative Staff	Tasmania	N/a
Oceania Tasmania Pty Ltd	1 July 2003 – 30 June 2004	3	1	Geology, planning and environment	Tasmania	N/a
	1 July 2004 – 30 June 2005	1	1	Geology, planning and environment	Tasmania	N/a
	1 July 2005 – 30 June 2006	7	3	Geology, planning, environment and administrative staff	Tasmania	2
	1 July 2006 – date of this document	4	4	Geology, planning and environment	Tasmania	N/a
Zeehan Zinc Administration Pty Ltd	1 July 2003 – 30 June 2004	Nil	Nil	Administrative & field staff	Tasmania	N/a
	1 July 2004 – 30 June 2005	Nil	Nil	Administrative & field staff	Tasmania	N/a
	1 July 2005 – 30 June 2006	Nil	Nil	Administrative & field staff	Tasmania	N/a
	1 July 2006 – date of this document	Nil	Nil	Administrative & field staff	Tasmania	3

7. Additional information on the Board

7.1. In addition to their directorship in the Company, the Directors hold or have held the following directorships or are or have been partners in the following partnerships within the five years immediately prior to the date of this document:

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Michael Roberts	International Optics Asia IOL Asia Limited Mantis Limited	Primeline Petroleum Corporation
Malcolm Bendall	Australian Molybdenum Pty Ltd, formerly Swansea Mining Co Pty Ltd Bass Energy Pty Ltd Bass Gas & Oil Pty Ltd Bass Magnesium Pty Ltd Bass Manufacturing Pty Ltd Bass Resources Limited Condor Oil Investments Pty Ltd Empire Energy Corporation International Great South Land Minerals Limited Logok Pty Ltd Oceania Tasmania Pty Ltd Tas Tiger Mines Pty Ltd ZZ Exploration Pty Ltd	
John Pollard	Pollard Publishing Pty Ltd 7 Stars Pty Ltd Zeehan Zinc Administration Pty Ltd	KEA Knitwear Pty Ltd
Stuart Lloyd	Astims (Senior partner) Unicard Pty Limited Waterco Limited (Group) Zeehan Zinc Administration Pty Ltd	Biometrics Limited
Keith Laing	Cerezo Holdings Pty Ltd ECR Research Pty Ltd Gold Search Victoria Pty Ltd Oceania Tasmania Pty Ltd ZZ Exploration Pty Ltd	Empire Energy Corporation International
Clive Burrett	Cyber Finance Group Limited Empire Energy Corporation International Expedia International Ltd Great South Land Minerals Limited Oceania Tasmania Pty Ltd ZZ Exploration Pty Ltd	
Stephen Powell	Hartz International Inc. Mountain Maid Pty Ltd. Oceania Tasmania Pty Ltd ZZ Exploration Pty Ltd	
Frank Lewis	Formjet plc ImageMetrics Limited MTI Wireless Edge Limited Polymer Logistics N.V. Teleset Networks Public Company Limited	Articsoft Limited Bio-Oz Biotechnology Limited Comcen Holdings Limited Exclusive Group plc Interactive Rights Management Limited Jetcam International Holdings Limited Lloyds British Testing plc Telephone Maintenance Group Plc The Industry Limited Yoomedia plc

7.2 While Mr. Lewis was a director of The Industry Limited, the company went into administrative receivership. Mr. Lewis was a non-executive director of this company for less than 8 months, representing a private equity house. Mr. Lewis resigned on the date on which the receiver was appointed (4 December 2003).

7.3 Save as disclosed in paragraph 7.1 and 7.2 of this Part V, none of the Directors has:

a) any unspent convictions in relation to indictable offences;

b) had any bankruptcy order made against him or entered into any voluntary arrangements;

c) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been the subject of a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

e) been the owner of any assets which have been the subject of a receivership;

f) been a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

g) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

h) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

8. Related Party Transactions

The Company has entered into the following related party transactions:

8.1. *Consultancy agreement between the Company and Bass Gas & Oil Pty Ltd*

Malcolm Bendall is principal consultant at Bass Gas & Oil Pty Ltd performing exploration guidance and advice services. For the services provided on behalf of Bass Gas & Oil, Malcolm Bendall received A$1,625 per diem. The agreement and engagement was effective from 1 July 2003 until it was terminated effective 31 December 2006.

8.2. *Oceania Tasmania Sale and Purchase Agreement*

The Company purchased all the shares in Oceania Tasmania on 25 July 2001, for consideration of A$4 million to be satisfied by the issue of 3 million ordinary shares in the Company at A$1.00 each, with the balance A$1 million as an unsecured note issued by the Company to Malcolm Bendall, David Bendall and the David James Bendall Family Trust (collectively the "Vendors"). The details of this transaction are further described in paragraph 10.5 of this Part V.

8.3. *Proposed Merger with Empire Energy Corporation International ("Empire Energy")*

The Company and Empire Energy signed a letter of intent dated 31 August 2005 enabling an offer by Empire Energy to acquire all of the issued shares of the Company that it does not own in exchange for the issue of shares in Empire Energy (the "LOI"). Malcolm Bendall is a director of both the Company and Empire Energy. Completion of the proposed merger however was subject to the signing and exchange of an Exchange Agreement, which did not occur and the LOI was terminated by mutual consent on 31 August 2006.

8.4. *Loan agreement between the Company and Empire Energy*

An unsecured loan agreement, dated 20 February 2006, between Empire Energy, of which Malcolm Bendall is a director, and the Company, as borrower, for working provisions and mine development funding. Under the loan agreement, a US$350,000 loan was to be provided to Zeehan Zinc by 29 March 2006 and US$500,000 was to be provided by 20 February 2006. Interest was payable at 7.25% per annum and accrued daily. The loan was to be repaid at repayment date of 20 February 2009 or sooner (at discretion of the Company). There was also option for debt-for-equity swap including value of any accrued interest, for settlement of loan, as negotiated by the parties.

8.5. *Sublease between the Company and Logok Pty Ltd.*

Logok Pty Ltd (a company of which Malcolm Bendall is a Director) subleased to the Company the Company's former office premises situated at Level 3, 65 Murray Street, Hobart, Tasmania pursuant to a sublease dated 1 July 2003. The commencement date of the sublease is 1 July 2003 and expires on 30 June 2008. The sublease provides that the annual rental, inclusive of GST for the first to the fourth years of the term is A$18,000 and the rental for the fifth year of the term is $24,000 per annum (not expressed to be inclusive of GST).

There are two car park rental agreements, both dated 1 March 2003, between Logok Pty Ltd and ZZ Exploration for Lot 8, 83 Murray Street, Hobart and between Logok Pty Ltd and Oceania Tasmania for Lot 5, 83 Murray Street, Hobart. The initial term of the car park rental agreements was 12 months for a yearly rental of A$1,600. The agreements have continued since the expiration of the initial term and are terminable by either party on the giving of one calendar months written notice. On 16 January 2007 the Company gave notice to Logok Pty Ltd of its intention to terminate the car park rental agreements.

8.6. *Condor Oil Investments*

On 22 January 2004 Condor Oil Investments Pty Ltd, a company in which Malcolm Bendall is a director, agreed to sell a Toyota Hilux SR5 RN85 Dual Cab motor vehicle valued at A$13,000 to the Company in exchange for 52,000 Shares, at A$0.25 per Share.

8.7. *Expedia Agreement*

By Deed dated 1 August 2006 the Company entered into an agreement with Expedia Limited ("Expedia"), a company incorporated in the British Virgin Islands for the purpose of creating an unincorporated joint venture for the development and commercialisation of the Nanokey Ball Mill. Clive Burrett is a director of Expedia (Expedia is a wholly-owned subsidiary of Empire Energy) and signed the agreement on behalf of Expedia. Under the agreement, the Company's primary function would be to fund the planned development project at a rate of A$50,000 per month from November 2006 to June 2007 inclusive and then at A$100,000 per month for the ensuing 12 months, making a total investment of A$1.6 million to 1 July 2008. The Company would also have to pay quarterly royalties to the joint venture for the use of the Nanokey Ball Mill at a rate of 40% of the combined monthly mining royalties paid to the government and Zinifex. In August 2006, the agreement was terminated.

8.8. *Consultancy Agreement*

By letter dated 21 July 2006, David Tanner, director of D A Tanner Holdings Pty Ltd and a former director of the Company, confirmed that under the terms of the oral agreement entered into in 2005 with the Company, D A Tanner Holdings was to be paid at a daily rate of A$1,000 with 4WD motor vehicle use reimbursed at A$0.60 per kilometre. Since the beginning of 2006, the rate has been revised to A$120 per hour, capped at A$1,100 per day. By agreement dated 27 October 2006, the consultancy arrangement was cancelled.

9. Mandatory Offers and Compulsory Acquisition of Shares

9.1. A takeover of an Australian listed public company or an unlisted public company with more than 50 members (which is what the Company is) is regulated by the Corporations Act (Chapters 6, 6A, 6B and 6C in particular). The principal regulatory bodies are the ASIC and the Takeovers Panel (which is the principal forum for the resolution of takeover disputes but is not a court of law). The courts also have a role to play, although it tends to be a secondary one.

The Corporations Act does not have a mandatory bid rule. The Corporations Act (section 606) provides that a person must not acquire a "**relevant interest**" in issued voting shares of a company as a result of a transaction in relation to the securities entered into by or on behalf of a person, if, because of the transaction, a person's voting power in the company:

- increases from 20 per cent. or below to more than 20 per cent.; or
- increases from a starting point that is above 20 per cent. but less than 90 per cent.

A person has a "relevant interest" in securities of a company if that person is the holder of the securities, has the power to exercise, or control the exercise of, a right to vote attached to the securities or has the power to dispose of, or control the exercise of a power to dispose of, the securities.

A person's voting power is determined by calculating the votes attached to the relevant securities a person and his "associates" have. The definition of "associate" is set out in sections 10 to 17 Corporations Act.

The main (but not exclusive) definition of "associate" for the purpose of Chapters 6, 6A, 6B and 6C, is found in section 12(2). It provides that a person ("the second person") is an associate of the primary person if, and only if, one or more of the following applies:

(a) the primary person is a body corporate and the second person is:

(i) a body corporate the primary person controls;

(ii) a body corporate that controls the primary person;

(iii) a body corporate that is controlled by an entity that controls the primary person;

(b) the second person is a person with whom the primary person has, or proposes to enter into a relevant agreement for the purpose of controlling or influencing the composition of the body's board or the conduct of the body's affairs;

(c) the second person is a person with whom the primary person is acting or proposing to act, in concert in relation to the body's affairs.

The Corporations Act (section 611) provides that section 606 does not apply in certain circumstances including, among others, acquisitions under takeover bids, acquisitions approved by shareholders in general meeting, acquisitions of no more than 3 per cent. in any 6 month period (but starting from a base of at least 19 per cent.), rights issues, dividend reinvestment schemes and underwritings.

Takeover bids may be made by an off-market bid for quoted and unquoted securities or an on market bid for quoted securities only.

In the absence of an applicable exemption under section 611, which includes the making of a takeover bid, an acquisition of more than 20 per cent. of the issued voting shares in a company will be a breach of section 606 that may result in enforcement action being taken by ASIC. Where a person publicly proposes to make a takeover bid for securities in a company and that does not occur within 2 months after the proposal, the Court, on the application of ASIC, has the power to order the person to proceed with the takeover bid.

The Corporations Act further provides for the circumstances in which a person must disclose that he has a substantial holding (5 per cent.) in a listed company (which the Company is not) and all 1 per cent. or more movements in that holding above 5 per cent. and that a person who obtains at least 90 per cent. of the securities in a class of securities of a company may move to compulsorily acquire all remaining shares. Minority shareholders have certain limited rights to resist a compulsory acquisition.

9.2. There have been no public takeover bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year. There is however a risk that ASIC may require Cyber to make a takeover offer for the Company in connection with its review of Cyber's acquisition of a controlling stake in the Company (but which has subsequently been reduced to 3.81% and will be further reduced to 2.00% on Admission). Please refer to summary of this investigation at paragraph 11.2 of this Part V and Part II (Risk Factors).

10. Material Contracts

The following contracts, being either (i) contracts which relate to the Group's mining leases and exploration licences and are, or may be, material; and/or (ii) contracts not entered into in the ordinary course of business which have been entered into by a member of the Group in the two years prior to the date of this document or prior thereto where a member of the Group has any outstanding obligations thereunder and are, or maybe, material.

10.1. *Libertas Capital Engagement Letter*

Pursuant to an agreement with the Company dated 30 January 2006 (as amended on 8 February 2006 and 4 September 2006), Libertas Capital Corporate Finance Limited and Libertas Capital Securities Limited (collectively referred to as "Libertas Capital"), agreed to provide corporate finance advice and broking services to the Company in relation to raising funds and seeking Admission. The Company has given a customary corporate finance indemnity to Libertas Capital. The Company has agreed to pay to Libertas Capital a monthly retainer of £7,500 (to be netted off at Admission against the corporate finance fee referred to in the Placing Agreement at paragraph 10.2 below). In addition, Libertas Capital is entitled to a commission of 5 per cent. in cash of the gross value of funds raised and equity in the Company equivalent to 3 per cent. of gross funds raised.

10.2. *Placing Agreement*

On 27 February 2007, the Company and the Directors entered into the Placing Agreement with Libertas Capital whereby Libertas Capital has conditionally agreed to use its reasonable endeavours (as agent for the Company) to procure subscribers for the Placing Shares. The Placing Agreement is conditional, inter alia, upon Admission and upon the Placing Agreement not having been terminated. The Placing Agreement may be terminated by Libertas Capital at any time before Admission for, inter alia, material breach of warranty or the occurrence of certain specified events of *force majeure*. The Company and the Directors have given certain warranties and the Company has given certain indemnities as to the accuracy of the information contained in this document and other matters in relation to the Company and its business. The Company has agreed to pay Libertas Capital a corporate finance fee of £250,000 (less the monthly retainer fees paid pursuant to the Libertas Capital Engagement Letter in paragraph 10.1 above), a commission of 5 per cent. in cash of the gross value of the Placing Shares and Ordinary Shares in the Company equivalent to 3 per cent. of the number of Placing Shares and will re-imburse Libertas Capital's out-of-pocket expenses. The Directors have undertaken in the Placing Agreement not to dispose of any interest in Ordinary Shares for a period of 12 months from Admission.

10.3. *Nominated Adviser and Broker Agreement*

The Company, the Directors and Libertas Capital have entered into an agreement (the "Agreement") dated 27 February 2007, conditional upon Admission, pursuant to which, the Company has appointed Libertas Capital to act as Nominated Adviser and Broker to the Company as required by the AIM Rules. Pursuant to the Agreement, Libertas Capital has agreed, inter alia, to provide such independent advice and guidance to the directors of the Company as they may require to ensure compliance by the Company on a continuing basis with the AIM Rules. The Company has agreed to pay Libertas Capital a fee of £50,000 per annum for its services as Nominated Adviser and Broker under the Agreement (plus all reasonable expenses it incurs). The Agreement contains certain undertakings and indemnities given by the Company in respect of, inter alia, compliance with all applicable laws and regulations. The Agreement continues for an initial period of 12 months from Admission (unless terminated for reason prior to such date in accordance with the terms of the Agreement) and thereafter until terminated in accordance with its terms.

10.4. *Financial Advisory Services*

A letter agreement dated 31 March 2005 between the Company and First Global Securities, Inc (First Global) appointing First Global as the Company's exclusive financial adviser. The term of engagement began 31 March 2005 and ended 30 September 2005. The Company paid First Global US$10,000 pursuant to this agreement.

10.5. *Purchase of Oceania Tasmania*

By agreement dated 25 July 2001 the Company purchased all the shares in Oceania Tasmania for consideration of A$4 million to be satisfied by the issue of 3 million Shares at A$1.00 each, with the balance A$1 million as an unsecured note issued by the Company to Malcolm Bendall, David Bendall and the David James Bendall Family Trust (collectively the "Vendors"). The unsecured note was payable on demand by the Vendors. On 28 February 2006, the A$1 million unsecured note, was converted into 4,000,000 Shares at a conversion rate of A$0.25 per ordinary share.

10.6. *RAB Investment Agreement*

The Company entered into an investment agreement with RAB Special Solutions (Master) Fund Limited ("RAB"), dated 2 August 2006 as amended by a letter agreement dated 23 October 2006 (together the "RAB Investment Agreement"). RAB agreed to subscribe from 9,760,000 Shares at a subscription price of A$0.25 per share for a total of £1,000,000. The Company makes various representations and warranties in favour of RAB, including as to permitting and environmental compliance. The Company further makes certain undertakings and covenants with respect to, inter alia, the conversion and repayment of third party debt in the period up to Admission. If, at any time up to Admission, the Company issues Shares at an issue price lower than the subscription price paid by RAB, the Company must offer to issue to RAB the same class of shares in the share capital of the Company, at no cost to RAB (unless sufficient distributable reserves are not available, in which case RAB would pay a subscription price equal to one-tenth of the proposed subscription price for the lower price shares) enabling RAB to maintain its percentage proportion of the aggregate total issued Shares of the Company, immediately prior to the issue of the lower price shares.

10.7. *Maitland Investment Agreement*

The Company entered into an investment agreement with Maitland dated 7 August 2006 (the "Maitland Investment Agreement). Maitland agreed to subscribe for 2,440,000 Shares at a subscription price of A$0.25 for a total of £250,000. The Company makes various representations and warranties in favour of Maitland, including as to permitting and environmental compliance. If at anytime up to Admission the Company issued Shares at an issue price lower than the subscription price paid by Maitland, the Company must offer to issue to Maitland the same class of shares in the share capital of the Company, at no cost to Maitland (unless sufficient distributable reserves are not available, in which case Maitland would pay a subscription price equal to one-tenth of the proposed subscription price for the lower price shares) enabling Maitland to maintain its percentage proportion of the aggregate total issued Shares of the Company, immediately prior to the issue of the lower price shares. The Company further makes certain undertakings and covenants with respect to, inter alia, the conversion and repayment of third party debt in the period up to Admission.

10.8. *Terralinna Subscription Agreement*

The Company entered into a subscription agreement with Terralinna Pty Ltd in its own rights and as trustee for the Phillip Simpson Family Trust ("Terralinna") dated 18 October 2006. Pursuant to the subscription agreement, Terralinna subscribed for 9,000,000 ordinary shares in the Company, at A$0.25 per Share, for a total subscription price of A$2,250,000. 7,200,000 of these Shares were subject to a lock-in undertaking. With the Company's consent, Terralinna transferred 4,000,000 Shares in December 2006. 5,300,000 Shares held by Terralinna remain subject to the lock-in undertaking, further details of which are set out in paragraph 11 of Part I of this document. The Company makes various representations and warranties in favour of Terralinna.

10.9. *Orderly Market Deeds*

On 27 February 2007 certain Shareholders who on Admission will be interested in aggregate in 12,200,000 Shares representing 9.3 per cent. of the Enlarged Share Capital, each have entered into an orderly market deed, pursuant to which they have undertaken with the Company and Libertas Capital for a period of 12 months from the date of Admission to only dispose of any interest in the Shares held by each of them on an orderly market basis by seeking to first sell the Shares through the Company's broker, except in certain limited circumstances. These limited circumstances are in the event of (i) a takeover offer for the Company; (ii) death (in the case of individual Shareholders); or (iii) an intervening court order.

10.10. *Proposed Merger with Empire Energy Corporation International*

The Company and Empire Energy signed a letter of intent dated 31 August 2005 concerning an offer by Empire Energy to acquire all of the issued shares of the Company that it does not own in exchange for the issue of shares in Empire Energy (the "LOI"). Malcolm Bendall is a director of Empire Energy. The LOI was terminated by mutual consent on 31 August 2006.

10.11. *Rimmelzwaan Homes Pty Ltd*

Rimmelzwaan Homes Pty Ltd, as trustee for the Rimmelzwaan Trust, has provided (ANZ Bank) bank guarantees to the Minister for Infrastructure, Energy and Resources dated 12 February 2001 and 10 September 2001 in the total sum of A$250,000 for the rehabilitation bond for mining leases 123M/1947, 43M/1985 and 19M/1995. Under the bank guarantees the ANZ Bank undertakes unconditionally to pay to the Minister for Infrastructure, Energy and Resources on written demand from time to time any sum or sums not exceeding A$250,000 without reference to Rimmelzwaan Homes. The ANZ Bank's undertaking remains in force until the Minister notifies the ANZ Bank in writing that the undertaking is no longer required or the ANZ Bank has paid the amount of A$250,000 to the Minister.

By agreement dated 20 September 2001 and in consideration for providing the bank guarantees, Rimmelzwaan Homes was entitled to receive 500,000 Shares. The agreement further provided that, if the Company's shares were untradeable within one year from the date of the agreement, the Company would give a charge over zinc concentrate sales revenue to Rimmelzwaan Homes to the value of A$250,000 in exchange for the return of 250,000 Shares. Notwithstanding the Shares were untradeable, no charge has been given and no Shares have been returned. The Company intends after Admission to promptly replace the bank guarantees with a new bank guarantee in the sum of A$2,500,000 which will satisfy the bond requirements of Mineral Resources Tasmania.

The Company has discussed its intentions with Rimmelzwaan Homes, who has confirmed its agreement to this approach to terminating these arrangements.

10.12. *Deed Poll and Depositary Services Agreement.*

Please refer to the description of these agreements in paragraph 13 of this Part V.

10.13. *Mining Leases, Exploration Licenses and Applications*

Please refer to the description of these in paragraph 3 of Part I and in Table 2 of the Competent Person's Report (Part III).

10.14. *Royalty Agreement*

Under the Royalty Agreement between Zinifex and Oceania Tasmania under which Zinifex Australia Limited (formerly Pasminco Australia Limited) filed a caveat dated 3 November 2000 with Mineral Resources Tasmania against mining tenement 123M/47, owned by Oceania Tasmania, Zinifex claims an entitlement to be paid a royalty of 5% of net smelter return on any ore sold from the said lease pursuant to a term of Transfer of Mining Tenement from Electroytic Zinc Company of Australasia Limited to Oceania Tasmania dated 23 January 1989. Zinifex is successor in title to all rights, titles and interest of the Electrolytic Zinc Company of Australasia Limited.

10.15. *Joint venture agreement with Liuzhou Jiuxin Mine Industry ("Jiuxin")*

The Company entered into a joint venture with Jiuxin dated 11 November 2004, (terminable on agreement by the Parties), under which Jiuxin agreed to purchased 3.5 million shares of the Company for A$1.5 million. Jiuxin agreed to design, construct and commission a flotation plant and the Company agreed to do the same in respect of a gravity separation plant and tailings dam. Upon completion of the works, Jiuxin would be entitled to 35% of the joint venture assets (MLS 123M/47, M4M/85, 19M/1995 and 9M/2002) and of the zinc, lead and silver concentrates as a result. The agreement was not acted upon as a group of the Jiuxin investors withdrew and failed to pay certain amounts under the agreement.

10.16. *F.A.M.E. Foley Tender*

F.A.M.E. Foley Industries tender to Oceania dated 27 February 2006 for completion of the crushing plant at the Comstock mine at a fixed price of A$317,005 plus GST.

10.17. *Tasmanian Drilling Services Exploration Drilling Agreement*

Tasmanian Drilling Services Pty Ltd ("Tasdrilling") is providing exploration drilling services to ZZ Exploration at the Comstock mine. The cost of these services is calculated on a range of prices including hourly rates and base retainers.

10.18. *Gerald Spaulding Drilling Contract*

Gerald Spaulding Drillers Pty Ltd are providing diamond drilling services to the Company for a total cost of A$100,000, commencing the end of January 2007. The downpayment for mobilisation costs is A$27,500.

10.19. *Nelson Machinery Agreement*

By invoice dated 11 December 2006, Nelson Machinery & Equipment Ltd ("Nelson Machinery") of British Columbia, Canada, sold to the Company certain equipment, including flotation cells, for USD$1,163,800 the ("Purchase Price"). As required under the invoice, a deposit of US$698,280 (A$895,148), being 60% of the Purchase Price, was paid on 22 December 2006. The Company had previously paid a holding deposit of A$50,000. The balance of the Purchase Price is to be paid no later than 15 days from notification of readiness and inspection of the equipment by the Company which is anticipated to take place in Q2 2007.

The Terms and Conditions of Sale include a retention of title clause, which provides that Nelson Machinery retains ownership of the goods and ownership does not pass to the Company until payment in full is made in respect of all goods supplied by it at any time. They also include usual warranties for the refurbishment works, warranty exclusions, acceptance of goods and delivery terms and provide that the contract cannot be varied or cancelled by the Purchaser without the seller's consent.

10.20. *Convertible Unsecured Loan Note*

The Company entered into a Convertible Unsecured Loan Note with Wind City Inc dated 29 November 2006, which was subsequently assigned to Europe Wind III B.V. ("Note"). In addition to the provisions set out in paragraph 2.3 of this Part V, the Company makes various representations and warranties in favour of the holder of the Note. The Company has also agreed that it will not use the proceeds received as a result of the issue of the Note to repay any financial indebtedness of the Company to any person directly or indirectly interested in its share or loan capital, or any company in or with such a person is directly or indirectly interested or connected, or provide other financial support or assistance to such related parties.

10.21. *Loan Arrangement with the David James Bendall Family Trust*

The Company has entered into an arrangement with the David James Bendall Family Trust ("DJBF Trust") pursuant to which the DJBF Trust provides interest free loans to the Group as and when required. The DJBF Trust has been providing loans to the Group since early 2003. During that time, certain debts have been converted into equity in the Company as further described in paragraphs 2.2.13 of Part V this document. As at 16 January 2007, the Group has fully repaid all debts owed to DJBF Trust. The Company does not intend to borrow any further funds pursuant to this arrangement.

11. Legal and Arbitration Proceedings

11.1. *Licence Appeals*

ZZ Exploration is recorded in the records of Mineral Resources Tasmania as the holder of Exploration Licences 20/2002 and 30/2002, both of which the Minister intended to revoke. This attempt to revoke was for alleged under-expenditure in the first two years of exploration. Section 34(7) of the MRD Act provides that the revocation of a licence takes effect, if an appeal is made and the Mining Tribunal makes an order affirming the Minister's decision, ten days after the date of the order. By order dated 21 July 2006, the Mining Tribunal allowed the Appeal and ordered that the decision of the Minister's intention to revoke the licences be set aside, each party to pay its own costs of the proceedings. Therefore, ZZ Exploration won the appeal against the Minister's decision to revoke the licences.

11.2. *ASIC Investigation*

On or about 31 August 2005, Empire Energy, as a result of a share acquisition, indirectly acquired 37.5% of the issued shares in the Company ("Share Acquisition"). This Share Acquisition came to the attention of ASIC, the regulatory body responsible for the administration and enforcement of the Act. ASIC investigated the transaction because it was concerned that it had taken place in breach of section 606 of the Act, which provides that a person must not acquire a relevant interest in the issued voting shares in a company if the company is an unlisted public company with more than 50 members and the person acquiring the interest does so through a transaction in relation to securities that results in that persons or someone else's voting power in the Company to increase from 20% or below to more than 20%.

The Company has cooperated with the investigation and has provided all information required of it by ASIC. ASIC has also corresponded with Empire Energy and its Australian lawyers regarding the Share Acquisition.

Since the share acquisition took place, Empire Energy's indirect shareholding of 37.5% has been reduced by a series of transactions, including a sale of 4.5 million Shares in January 2007 at a price of US$1.00 per Share, to 3.81% pre-Admission, which it holds through Cyber Finance Group Limited. No enforcement action against Empire Energy with respect to the Share Acquisition, has been taken by ASIC and the Company is unaware of ASIC's intentions in this regard.

11.3. Save as disclosed in sections 11.1 and 11.2 above, the Group is, not, nor has at any time in the 12 months immediately prior to preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any such governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

12. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that, after taking account of the estimated net proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. Crest and Settlement

13.1 *Setting up Depositary Interests*

The Company's Ordinary Shares are in registered and certificated form. However, it is proposed that, with effect from Admission, Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised depositary interests representing such Ordinary Shares. In order to achieve this Computershare UK Limited (the "Registrar"), will issue dematerialised depositary interests representing entitlements to Ordinary Shares (known as Depositary Interests or "DIs"). The DIs will be independent securities constituted under English law that may be held and transferred through the CREST system.

The depositary agreement under which the Company has appointed the Registrar to provide the DI arrangements and the principal registry agreement under which the Company has appointed Computershare Investor Services (Australia) Limited in Sydney, Australia to provide registry services, are described further below.

The DIs will be created pursuant to and issued on the terms of a deed poll executed by the Registrar in favour of the holders of the DIs. Prospective holders of DIs should note that they will have no rights against CRESTCo or its subsidiaries in respect of the underlying Common Shares or the DIs representing them. Ordinary Shares will be registered in the name of the Registrar or its nominated custodian (the "**Custodian**") and the Registrar will issue DIs to participating CREST members. Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Registrar will pass on to holders of DIs any stock or cash benefits received by it as holder of Ordinary Shares on trust for such DI holder. DI holders will also be able to receive notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its Shareholders.

The DIs will have the same security code (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM.

13.2 *Summary of Deed Poll*

The deed poll, made by the Registrar on 17 January 2007 (the "**Deed Poll**"), contains, among other things, provisions to the following effect which are binding on holders of DIs.

Pursuant to the Deed Poll, the Registrar will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and entitlements attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.

Holders of DIs warrant, among other things, that the securities in the Company transferred or issued to the Custodian for the account of such holder on behalf of the Registrar are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Constitution or any contractual obligation, law or regulation.

The Registrar or Custodian must pass on to DI holders and exercise on behalf of DI holders all rights and entitlements received by it in respect of the underlying securities which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall be passed on, subject to the Deed Poll, in the form which they are received together with any amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercise in accordance with the Deed Poll.

The Deed Poll contains provisions excluding and limiting the Registrar's liability. For example, the Registrar shall not be liable to any DI holder or any other person for liabilities arising out of or in connection with the performance or non-performance of its obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Registrar shall not be liable for the negligence, wilful default or fraud of any custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such custodian or agent. Furthermore, the Registrar's liability to a holder of DIs will be limited to the lesser of (a) the value of the deposited property that would have been properly attributable to the DIs to which the liability relates and (b) that proportion of £5,000,000 which corresponds to the portion which the amount the Registrar would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Registrar would otherwise be liable to pay to all such holders in respect of the same act, omission or event (or, if there are no such other amounts, £5,000,000).

The Registrar is entitled to charge each DI holder fees and expenses for the provision of its services under the Deed Poll.

Each holder of DIs is liable to indemnify the Registrar and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the wilful default, negligence or fraud of the Registrar, or the Custodian or agent if it is a member of the same group of companies as the Registrar or if the Custodian or agent is not a member of the same group, where the Registrar has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.

The Registrar may terminate the Deed Poll by giving at least 90 days' notice to the holders of DIs. During such period, holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Registrar must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion, sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Registrar, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.

The Registrar or the Custodian may require from any DI holder or former or prospective holder information as to the capacity in which DIs are owned or held and the identity of any other person with any interest of any kind in such DIs or the underlying securities and the holders are bound to provide such information requested. To the extent that, among other things, the Constitution requires disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever in, the Company's securities, the holders of DIs are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of DIs may not have the opportunity to exercise all of the rights and entitlements available to holders of Ordinary Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of DIs to give prompt instructions to the Registrar or Custodian, in accordance with any voting arrangements made available to them, to vote the underlying Ordinary Shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of DIs to vote such Ordinary Shares as a proxy of the Registrar or its Custodian.

13.3. *Terms of Depositary Agreement*

The terms of the depositary agreement dated 17 October 2006 between the Company and the Registrar (the "**Depositary Agreement**") under which the Company has appointed the Registrar to issue the DIs on the terms of the Deed Poll and to provide certain other services in connection with the DIs, are summarised below.

The Registrar agrees to provide certain depositary and custodian services under the Depositary Agreement (the "**Depositary and Custodian Services**") with reasonable skill and care and in accordance with FSMA and the CREST Regulations. The services include complying with the provisions of the Deed Poll, maintaining a DI register and dealing with routine correspondence with holders of DIs.

The agreement is for an initial fixed term of 1 year following which it can be terminated by either party on six months' notice. The agreement may also be terminated in certain other circumstances.

The Company agrees to provide to the Registrar all information, data and documentation reasonably required by the Registrar to carry out the Depositary and Custodian Services. Each party gives certain undertakings in relation to compliance with relevant data protection legislation. The Registrar is entitled, by serving prior written notice on the Company, to change the Depositary Agreement if it is reasonably necessary to do so to reflect any change to CREST services or law. The Registrar indemnifies the Company against any loss arising as a result of the fraud, negligence or wilful default of the Registrar, subject to a cap on its liability of two times annual fees for any 12 month period. The Company agrees to indemnify the Registrar against all losses arising from its performance of its obligations under the Depositary Agreement.

The Company is to pay certain fees and charges as agreed between the Company and the Depositary including, among other things, an annual fee, a fee based on the number of transactions conducted in DIs each month, and certain CREST related fees. The Registrar is also entitled to recover out of pocket fees and expenses.

13.4. *Terms of Registry Agreement*

The terms of the registry agreement (the "Registry Agreement") between the Company and Computershare Investor Services Pty Limited (Australia) (the "Registrar") dated 26 October 2006 under which the Company has appointed the Registrar to maintain a branch share register of the Company in Australia, are summarised below.

The Registrar agrees to provide certain registry services under the Registry Agreement. The services include maintaining the Company's share register in Australia. The agreement can be terminated by either party giving six months' notice.

The Agreement contains a provision that neither party shall be liable to the other party in respect of any loss incurred by the other party as a result of the discharge of its obligations under the Registry Agreement, save where such loss is incurred as a result of fraud, wilful deceit, negligence or breach of the Registry Agreement by the other party.

The Company is to pay certain fees and charges, including an annual management fee. The Registrar is also entitled to recover out of pocket expenses.

14. Taxation

The following comments are intended to provide a general summary of the Australian and UK taxation implications that may arise for certain Shareholders in respect of holding and disposing of Ordinary Shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor, and no representations are made with respect to the Australian and UK income tax consequences to any particular investor. Accordingly, prospective purchasers of shares in the Company should consult their own tax advisors for advice with respect to their particular circumstances. Investors should also be cognisant that any changes to the legislation or judicial interpretation of the legislation may affect their investment. You should also note that taxation is only one of the matters that you need to consider when making a decision on a financial product.

The comments are based on the law and understanding of the practice of the tax authorities in the UK and Australia at the date of this document.

14.1. *Tax residence of the Company*

It is expected that the Company will be managed and controlled in Australia. Accordingly, it should be treated as being resident in Australia under the United Kingdom/Australian double tax treaty and consequently not resident in the United Kingdom under the United Kingdom's domestic law.

14.2. *Australian Taxation*

The following comments are based on the provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997.

The taxes applying to Australian resident companies include GST, Income Tax, Withholding Tax and other indirect taxes. A general summary of the major aspects of the Australian Tax System is provided below.

Goods and Services Tax

A Goods and Services Tax of 10% is imposed on the supply of most goods and services consumed in Australia.

Taxation of Future Share Disposals

Australian Resident Shareholders

The taxation treatment on the disposal of Ordinary Shares will depend upon whether the shares are held on revenue or capital account.

Australian resident Shareholders who trade in Ordinary Shares as part of the ordinary course of their business would hold their shares on revenue account. These Shareholders will be required to include the profit arising from the disposal of their Ordinary Shares in their assessable income. Conversely, a loss arising from the disposal of Ordinary Shares on revenue account would be allowed as a deduction from assessable income.

Generally, all other Australian resident Shareholders will hold their Ordinary Shares on capital account. These Australian resident Shareholders should consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

An Australian resident Shareholder will derive a capital gain where the proceeds received on disposal exceed the cost base of the Ordinary Share for capital gains tax purposes. Any net capital gain (after recoupment of capital losses) is included in the Shareholder's assessable income.

Similarly, a Shareholder will make a capital loss on the disposal of an Ordinary Share where the disposal proceeds received are less than the reduced cost base of the Ordinary Share for capital gains tax purposes. Capital losses can only be used to offset current year capital gains or carried forward to offset future capital gains, they cannot be used to reduce non capital income.

A discount may apply to reduce the amount of net capital gains that might otherwise be included in a Shareholder's assessable income. This is only available to shareholders that are individuals or trustees.

For Shareholders that are individuals and trustees (other than trustees of complying superannuation funds) a 50% discount is available if the shares are held for at least 12 months. This concession will result in only 50% of the capital gain (after recoupment of capital losses) being assessable.

For complying superannuation funds a 33⅓% discount is available if the Ordinary Shares are held for at least 12 months. This concession will result in only 66⅔% of the capital gain (after recoupment of capital losses) being assessable.

Non-Australian Resident Shareholders

Where Non-Australian resident Shareholders hold Ordinary Shares on revenue account, the profits on sale of the Ordinary Shares may be required to be included in the Shareholder's assessable income. This is subject to the application of any double tax treaty relief which may exclude such profits from Australian taxation.

Generally, all other Non-Australian resident Shareholders will hold their Ordinary Shares on capital account. These Non-Australian resident Shareholders should consider the impact of Australian capital gains tax rules on the disposal of their Ordinary Shares.

In December 2006 new law took effect regarding the Australian capital gains tax treatment of assets owned by non-residents of Australia. Non-Australian resident Shareholders holding their Ordinary Shares on capital account will only be liable to Australian taxation on any capital gain made on these shares where they hold more than a 10 per cent interest in an Australian company and the assets of that company are predominately interests (direct or indirect) in Australian real property or mining, quarrying or prospecting rights over materials situated in Australia. We understand that the Company holds most of its real property assets in Australia at this point in time. As the majority of the real property interests of the Company are held in Australia, Non-Residents who hold more than a 10 per cent interest in the Company will be subject to Australian Capital Gains Tax in the same manner as applicable to Australian Residents, as discussed above.

Non-Australian resident shareholders will need to seek specific advice in respect of their particular circumstances with respect to Australian capital gains tax on the disposal of shares in the Company.

Dividends

Broadly, dividends paid on Ordinary Shares may be "franked" or "unfranked". Franked dividends have franking credits attached. These credits represent underlying Australian corporate tax that has been paid on the profits distributed. To the extent a dividend is "unfranked" no franking credits are attached.

Depending on the residency status of the Shareholder and whether a dividend is franked or unfranked, the receipt of a dividend will have different income tax implications as set out below.

Australian Resident Shareholders

Australian resident Shareholders will include dividends received together with any attached franking credits in their assessable income. A tax offset will be allowed equal to the amount of franking credits attached to the dividend.

Generally, to be eligible for the franking credit or franking offset, the Shareholder must have held the shares at risk for 45 days (not counting the day of acquisition or disposal). However, this rule should not apply where the tax offset entitlement does not exceed A$5,000 in respect of all dividends received during the income year in which the dividend is paid.

Individual Shareholders and Complying Superannuation Funds may receive a tax refund if the franking credits attached to the dividend exceed their tax liability for the income year.
Where the Shareholder is a corporate entity, the Shareholder will be entitled to a franking tax offset Where the franking tax offset is greater than the tax payable by the company in an income year, the balance of the franking tax offset is grossed up and carry forward as a loss that can be used to reduce income in the future years. The receipt of a franked dividend will also generally give rise to a credit in the corporate entity's franking account to the extent the dividend is franked.

Non-Australian Resident Shareholders

Fully franked dividends, and dividends to the extent they are credited with franked dividend account credits, paid to Non-Australian Resident Shareholders are generally not subject to withholding tax.

Unfranked dividends paid to Non-Australian Resident Shareholders will be subject to withholding tax at a rate of 30% on the unfranked component of the dividend paid. The withholding tax rate is generally reduced to 15% (lower for certain other countries) where there is an applicable double tax treaty. Where a withholding tax applies the Company will be required to deduct the appropriate amount of withholding tax prior to making the dividend payment.

Australian Stamp Duty

There is no liability for stamp duty in Australia on the issue of Ordinary Shares or New Options by the Company. Similarly, there will be no liability for stamp duty in Australia if the Ordinary Shares are disposed of by a Shareholder as the company is listed.

Other Matters

Australian Resident Shareholders will generally be required to notify the Company of their tax file number (or Australian Business Number if carrying on an enterprise) in respect of Ordinary Shares held. Failure to do so may result in the Company being required to withhold tax at the top marginal individual rate including Medicare levy (currently 46.5%). The Shareholder will however be entitled to a credit or refund in their tax returns to the extent of the tax withheld.

14.3. *United Kingdom taxation*

The following is a general description of certain UK tax consequences relating to the acquisition, ownership and disposition of the Company's ordinary shares by persons who are resident (and in the case of individuals, ordinarily resident and domiciled) in the UK for UK tax purposes. It is based on laws, regulations and other authorities in effect as of the date of this document, all of which are subject to change, possibly with retroactive effect. It may not apply to certain categories of persons such as dealers, or to persons who (together with associates) have a 10 per cent. or greater interest in the Company. An investor's tax position may be affected if certain anti-avoidance provisions apply. Prospective investors and persons who are not resident in the UK are urged to consult their own advisors as to the consequences of the purchase, ownership and disposition of the ordinary shares in light of their particular circumstances.

Taxation of dividends paid on ordinary shares in the UK

No UK withholding tax is payable in respect of any dividends the Company may pay on its ordinary shares. Holders of ordinary shares who are resident in the UK for UK tax purposes and within the charge to UK tax will in general be subject to UK corporation tax or income tax on dividends received in respect of the Company's ordinary shares. Individual shareholders resident in the UK receiving such dividends will be liable to income tax at the dividend rate of 10% or the dividend rate of 32.5%. No dividend tax credit is available to UK investors. A UK corporate shareholder will be liable to corporation tax in respect of dividends received from the Company.

Taxation of capital gains in the UK

Cost of acquisition

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares (together with any incidental costs of acquisition) will constitute the base cost of a shareholder's holding.

Individual investors

A disposal of ordinary shares by an individual who is resident and ordinarily resident for UK tax purposes may, depending on that investor's circumstances, give rise to a capital gain or allowable loss for the purposes of UK taxation of capital gains. Individuals who dispose of ordinary shares while they are temporarily non-resident for UK tax purposes may still be liable to UK tax on any capital gain realised. A disposal by an individual investor of ordinary shares may attract taper relief, which reduces the amount of capital gain depending on how long the ordinary shares have been held. An individual who is temporarily non-resident for UK tax purposes and who does not return to the UK within five years of disposal will not normally be liable for UK tax on capital gains realised on the disposal of ordinary shares unless, at the time of disposal, such individual carries on a trade, profession or vocation in the UK through a branch or agency and such ordinary shares are or have been used, held or acquired for the purposes of such trade or branch or agency.

Corporate investors

Investors who are bodies corporate resident in the UK for UK tax purposes will not qualify for taper relief but may instead benefit from indexation allowance on the disposal of ordinary shares which, in general terms, increases the base cost of the ordinary shares for UK corporation tax purposes in line with the rise in the retail price index during the period of ownership.

Stamp duty and Stamp Duty Reserve Tax

No stamp duty will be payable on the issue of ordinary shares. An instrument effecting or evidencing the issue or transfer of ordinary shares which is executed in the UK or, where executed outside of the UK, which relates to any matter or thing done in the UK may not, except in criminal proceedings, be given in evidence or be available for any purpose in the UK unless it is duly stamped. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company's registers of ordinary shares so long as that register is kept outside of the UK. No stamp duty reserve tax ("SDRT") will be chargeable on the issue or transfer of the ordinary shares where the Company's registers of ordinary shares is kept outside of the UK.

SDRT will be chargeable (at a rate of 0.5 per cent. of the consideration) on an agreement to transfer Depositary Interests representing the ordinary shares within CREST.

15. Investments

15.1. The Group has had no principal investments for each financial year during the period covering the latest three financial years up to the date of this document.

15.2. The Group has had no principal investments that are in progress as at the date of this document.

15.3. The Group does not have principal future investments on which the relevant company's directors or management have made firm commitments as at the date of this document.

16. General

16.1. The gross proceeds of the Placing are expected to be approximately £9.0 million and the net proceeds after deduction of expenses are estimated at £8.0 million for the Company.

16.2. The total costs and expenses of and incidental to Admission and the Placing including registration and London Stock Exchange fees, professional fees and the costs of printing and distribution and are estimated to amount to approximately £1.0 million (including Value Added Tax) all of which will be payable by the Company.

16.3. The accounting reference date of the Company is 30 June**.**

16.4. The following payments aggregating over £10,000 have been made to governmental, regulatory and other such bodies by or on behalf of the Company with regard to the acquisition and maintenance of the Company's assets:

16.4.1. A$250,000 bank guarantee was provided by Rimmelzwaan Homes on behalf of the Company to finance a rehabilitation bond to MRT for certain mining leases at Comstock. A$100,000 of the bond was paid in February 2001 and a further A$150,000 was paid in September 2001.

16.4.2. A$22,000 Environmental Bond was paid in two instalments dated 5 October 2005 and 1 August 2006, pursuant to EL 20/2002 in respect of the Oceana Deposit.

16.4.3 Payment of A$67,679 was made by the Company as its contribution for an electricity power line constructed by Aurora Energy Pty Ltd in March 2006.

16.4.4. Payment of A$222,610 was made on 13 April 2006 to West Coast Council (WCC) for contribution to the Trial Harbour Road Stage 2 Diversion for 123M/1947.

16.5. Except as disclosed in section 16.4 above, no payments aggregating over £10,000 to any government or regulatory authority or similar body have been made by or on behalf of the Company with regard to the acquisition or maintenance of its assets.

16.6. Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or

b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

a) fees totalling £10,000 or more; or

b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

c) any other benefit with a value of £10,000 or more at the date of Admission.

16.7. To the extent that information in this document is sourced from a third party, it has been accurately reproduced and so far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16.8. Grant Thornton UK LLP, whose registered office is at Grant Thornton House, Melton Street, Euston Square, London NW1 2EP United Kingdom, has given and not withdrawn its written consent to the issue of this document with the inclusion of its reports on the Company in this document set out in Section B and Section D of Part IV "Financial Information on the Company" in the form and context in which they appear in this document.

16.9. Libertas Capital Corporate Finance Limited is registered in England and Wales with registered number 4271746 and its registered office is at 16 Berkeley Street, London W1J 8DZ United Kingdom. Libertas Capital Corporate Finance Limited is regulated by the FSA.

16.10. Libertas Capital Securities Limited is registered in England and Wales with registered number 3724475 and its registered office is at 16 Berkeley Street, London W1J 8DZ United Kingdom. Libertas Capital Securities Limited is regulated by the FSA.

16.11. Libertas Capital has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which it appears.

16.12. Anderson & Schwab have given and not withdrawn their consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which it appears.

16.13. Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.

16.14. Save as set out in this document, there has been no significant change in the financial or trading position of the Group which has occurred since 30 June 2006, being the date to which the historical financial information in Section A of Part IV of this document relating to the Group has been prepared.

16.15. The Placing has not been underwritten or guaranteed by any person.

16.16. Save as set out in this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

16.17. Save as disclosed in this document, there are no patents or licences, industrial, commercial or financial contracts which are material to the Group's business or profitability.

16.18. The name and address of the Company's auditors and the auditors of each member of the Group for the period covering the latest three financial years is UHY Haines Norton of Level 11, 1 York Street, Sydney NSW 2000, Australia.

No auditors of any member of the Group have resigned, been removed or not been re-appointed during the period covering the latest three financial years.

16.19. Save as set out in this document, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

17. Availability of Admission document

Copies of this document are available during normal business hours on any weekday (Saturdays, Sundays and public holidays are excepted) free of charge from the Company's registered office and at the offices of McCarthy Tétrault, 5 Old Bailey, London, EC4M 7BA, United Kingdom for the period from the date of Admission until one month after Admission.

Date 27 February 2007

APPENDIX F

Malcolm Bendall (CEO)

Zeehan Zinc Limited
Summary of Ore Reserves and Resources

2.5 Reserve and Resource Estimates

A summary of the Reserve and Resource Estimates is provided in Table 5 below.

Table 5: Summary of Ore Reserves and Resources

ZEEHAN ZINC LIMITED

SUMMARY OF ORE RESERVES AND RESOURCES BY STATUS

Category	*Gross and Net Attributable (100% Ownership)*					*Contained Metal*					
	Tonnes (millions)	*Grade % Zinc*	*Grade % Lead*	*Grade g/t Silver*	*Contained metal (Mt)*	*Tonnes (millions)*	*Zinc (Mt)*	*Lead (Mt)*	*Silver (Mt)*	*Contained Metal (Mt)*	*Operator*
Ore/Mineral Reserves per asset											
Probable Reserve											
Allison's[1]	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Reserves Sub-total	0.099	5.7	1.7	42	0.0077	0.099	0.0056	0.00168	0.0004	0.0077	Zeehan Zinc Limited
Mineral Resources per asset											
Measured											
Main Lode (including West Lode)[2]	0.005	4.1	3.2	40	0.0004	0.005	0.00021	0.00016	0.00002	0.0004	Zeehan Zinc Limited
Indicated											
Oceana[4]	0.666	2.3	5.2	30	0.0519	0.666	0.0153	0.0346	0.002	0.0519	Zeehan Zinc Limited
Inferred											
Allison's[3]	0.0026	2.3	0.7	17	0.0001	0.0026	0.00006	0.00002	0.000004	0.0001	Zeehan Zinc Limited
Main Lode (including West Lode)[2]	0.0127	4.3	1.7	24	0.0008	0.0127	0.00055	0.00022	0.00003	0.0008	Zeehan Zinc Limited
Balstrup[2]	4.6	5.7	3.3	35	0.4301	4.6	0.2622	0.1518	0.0161	0.4301	Zeehan Zinc Limited
Oceana[4]	0.938	1.2	2.6	16	0.0371	0.938	0.01126	0.0244	0.0015	0.0371	Zeehan Zinc Limited
Mariposa[5]	0.574	1.9	5.1	60	0.0436	0.574	0.011	0.0293	0.0035	0.0436	Zeehan Zinc Limited
Resources Sub-total	6.798	4.4	3.5	34	0.5641	6.798	0.299	0.238	0.023	0.5641	
Resources and Reserves Total	6.897	4.4	3.5	34	0.5718	6.897	0.304	0.241	0.0235	0.5718	Zeehan Zinc Limited

References:

Ore/Mineral reserves Probable:

1 *Allison's Lode Reserve Statement, Minserve — January 2006* (includes Measured and Indicated resources)

Mineral resources, Measured, Indicated and Inferred:

2 *Zeehan Zinc Limited Resources Estimation and Classification Update, Cotlco Pty Ltd, September 2005*

3 *JORC Resource Statement for the Allison's Lode — November 2005, SMG Consultants Pty Ltd*

4 *Oceana Pit: Resource Review, Zeehan West Tasmania, February 2006, SMG Consultants Pty Ltd*

5 *Block Model Report for the Mariposa Deposit, January 2006, SMG Consultants Pty Ltd*

Prepared by: Simon Tear
4/46 Edward St., Brisbane, QLD 4000, Australia

2.5.1 Methodologies

Assay data used in the resource estimation is a mixture of diamond drilling, channel sampling, costean rock chip sampling and aircore drilling. The recent aircore drilling at Comstock appears to have been particularly successful with very good drillhole recoveries.

Zeehan Zinc, with supervision by SMG Consultants Pty Ltd ("SMGC") collected over 80 density measurements on pieces of drillcore and boulder samples from the trial mining at Allison's Lode. Density determination utilised the 'Archimedes Principle' method with electronic scales. Logistical limitations meant that no oven drying or wax coating of the samples was undertaken. It should be noted that the core samples had been in core trays for over five years and stored at the Tasmanian Mines Department Core Store. The Company also collected nearly 200 sample measurements by the same method on 20 year old Oceana drillcore.

APPENDIX N

Anderson & Schwab - 2001

Review and Valuation of the Petroleum Assets of Great South Land Minerals Limited

Review and Valuation of the Petroleum Assets

of

Great South Land Minerals Limited

Prepared for

PKF Corporate Advisory Services (Vic) Pty Ltd

by

Anderson & Schwab Australia Limited

This report has been prepared at the request of PKF Corporate Advisory Services (Vic) Pty Ltd. The purpose of this report is to provide information to PKF Corporate Advisory Services (Vic) Pty Ltd to assist it in providing an analysis and view to the Directors, management and ordinary shareholders of Great South Land Minerals Limited relating to that Company's in principle decision to accept an all-stock tender offer from Empire Energy Corporation International, Inc., a United States company that is listed on the NASDAQ exchange. The report, prepared by Anderson & Schwab Australia Limited, has determined a range of values for the petroleum assets of Great South Land Minerals Limited. The value range is based on information supplied by management, directors and staff of, and consultants to, the company; consultants reports based on investigations into the assets belonging to the company; publicly available information and reviews of data collected, collated and assessed by consultants to the company. This report may accompany commentary provided by PKF Corporate Advisory Services (Vic) Pty Ltd on their opinions with regard to the transaction. The report has been completed in accordance with the terms and conditions described herein and set forth in our agreement with PKF Corporate Advisory Services (Vic) Pty Ltd.

9 November 2004

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1. INTRODUCTION

1.1. BACKGROUND AND PURPOSE OF THE REPORT

Great South Land Minerals Limited ("GSLM") is an unlisted public company. The principal activities and assets of GSLM are the evaluation and potential development of Special Exploration Licence 13/1998 located entirely onshore, Tasmania, Australia.

GSLM has agreed in principle, subject to documentation and shareholder approval, to sell the company to Empire Energy Corporation International ("Empire"), a NASDAQ-listed company. The deal would result in the shareholders of GSLM acquiring 95% of Empire and allow GSLM to access the funds needed to continue its work to confirm and exploit the oil and gas potential of Tasmania.

An extension to the Special Exploration Licence 13/1998 is being sought by GSLM in exchange for a commitment to the Government to spend a minimum of $21.5 million over five years on an accelerated exploration program.

Empire has secured a US$380 million equity line of credit to allow this program to commence once the merger of the two companies has been achieved. While the Boards of directors of both companies have approved the transaction, the renewal of the exploration licence is a condition to closing the acquisition of GSLM.

GSLM has engaged PKF Corporate Finance (Aust) Pty Ltd ("PKF") to prepare an Independent Expert's Report ("IER") in relation to the proposed transaction with Empire. PKF does not possess the scientific or technical knowledge necessary to competently evaluate the petroleum assets of GSLM. PKF has therefore requested that Anderson & Schwab Australia Limited ("A&S") act as a Specialist and undertake an independent review of these petroleum assets for attachment to its report to GSLM.

2. SUMMARY AND VALUATION

2.1. EXECUTIVE SUMMARY

- We have assessed the value of GSLM's Special Exploration Licence, SEL 13/98, to be in the range $23.763 million to $30.100 million.
- The Tasmanian Basin is by petroleum exploration standards a "frontier basin". Despite having been explored in one manner or another for over 120+ years it is only during the last twenty years, since GSLM and its predecessor companies acquired leases in the basin, that a systematic programme of exploration discovery has been carried out in an attempt to discover commercial accumulations of hydrocarbons.
- Since GSLM and its predecessor companies acquired exploration leases to explore for hydrocarbons inexcess of A$22 million has been spent on exploration activities. These activities have so far established the presence two petroleum systems, which they have named; the Larapintine Petroleum System and the Gondwana Petroleum System.
- In identifying these petroleum systems GSLM has proved the presence of good quality source rocks that are thermally mature for the generation of gaseous and liquid hydrocarbons. It has determined that hydrocarbons have been generated, expelled and migrated into potential reservoir units and established the presence of reservoir and seal units within the basin. In recent years reflection seismic data has been acquired to complement earlier gravity and magnetics data with the ultimate aim being to determine the presence of petroleum trapping mechanisms.
- This seismic data has shown that potential exists to discover trapping mechanisms but that significantly more seismic acquisition and interpretation work needs to be undertaken to enable the company to identify potential drill targets.
- The renewal of SEL 13/1998 is critical to the value of the company. The application for the extension was made on 6 May, 2004 and contained an extensive programme of exploration for the next five years that included committed expenditures amounting to some A$21.5 million.
- Company management is very competent and has the ability to continue to develop the exploration programme going forward. A greater number of specialist technical staff will be required to undertake the proposed work programmes but given the proximity of the exploration licences to major commercial and residential areas and the lifestyle opportunities available in Tasmania we do not envisage that the company will have any difficulties in recruiting competent staff.

2.2 VALUATION

We have undertaken an assessment of GSLM's special petroleum licence and reviewed, in as much detail as was practical, the value of this asset. Our valuation, as at the date of this report, is estimated to be between $23.763 million and $30.100 million.

Table 2.2-1 provides our valuation estimates and valuation method for SEL 13/1998. Each of the valuation methods is discussed in detail in Section 3.2.

Table 2.2-1: Valuation of GSLM Tenement – Summary

Asset	Valuation Method	Value	
		Low	High
SEL 13/98	Multiple of Exploration Expenditure	$23.763m	$30.100m
	Joint Venture Method	$22.5m	$22.5m
Preferred Value		**$23.763m**	**$30.100m**

3. METHODOLOGY AND APPROACH

3.1. INTRODUCTION

The purpose of this report is to provide a technical assessment and valuation of GSLM's SEL 13/98 petroleum asset. In providing our valuation we have complied with the provisions of the Valmin Code of the Australasian Institute of Mining and Metallurgy ("The AusIMM") in undertaking our assessment.

In general, a valuation is derived by considering a technical value, reflecting the assessed future net economic benefit of the project, which can be adjusted by way of premium or discount for given market and other conditions presently applicable to determine a fair market value. With this in mind, the application of standard valuation methodologies, while possible, may not indicate a realisable value, as the ability of a potential purchaser to utilise the asset for commercial advantage or otherwise gain from its ownership, may not be achievable.

All references to dollars within this report are to Australian Dollars except where specifically identified.

A&S has not been engaged to provide independent verification of any Resources figures that may be quoted in relation to this tenement. Instead, for the purposes of this report and in considering that the GSLM SEL 13/98 asset has been known and documented for some considerable time within the public realm it was determined that a site visit was not necessary. GSLM has supplied us with considerable information for which we express our gratitude.

3.2. VALUATION METHODS

3.2.1. SUMMARY

The commonly used valuation methods for mineral assets that we have considered, and/or adopted where considered appropriate, to determine the value of SEL 13/98, include:

- The Orderly Realisation Of Assets method
- The Net Present Value Of Future Cash Flows method
- The Multiple Of Exploration Expenditure method
- Joint Venture Terms
- In Situ Values Method
- Comparable Transactions method
- The Alternative Acquirer method
- The Capitalisation Of Future Maintainable Earnings method

3.2.2. ORDERLY REALISATION OF ASSETS METHOD

The value achievable in an orderly realisation of assets is based on an assessment of the net realisable value of a business or asset, assuming its orderly realisation. Costs associated with the sale of the business or assets are included in the assessment. This technique is appropriate for minerals and petroleum businesses, which typically have individually definable assets, with relatively high values compared to earnings and cash flows and in which individual properties and interests in individual properties are frequently bought and sold. We considered that this method is inappropriate for GSLM as: the company only holds one property and this property is held as a "Special" Exploration Licence which does not allow the property to be transferred to another party other than by the method currently proposed by the company. As such, the capacity to realise a value in an orderly manner is not appropriate.

3.2.3. NET PRESENT VALUE OF FUTURE CASH FLOWS METHOD

The Discounted Cash Flow (DCF) valuation method is based on the premise that the value of a business is the net present value of its future cash flows. In the mining business, this method requires assessment of:

- mineral reserves and resources;
- the appropriate mining and processing methods to exploit and market those reserves; and
- an analysis of future production, production costs, market prices, cash flows, capital requirements and capital costs for the life of the potential reserves.

This technique is particularly appropriate for a minerals investment with defined reserves and is the most common approach to valuation in the minerals industry. A&S regard this methodology as being inappropriate for valuing SEL 13/98 as the development of the asset is not yet at the stage where a definable Resources figure can be provided.

3.2.4. MULTIPLE OF EXPLORATION EXPENDITURE METHOD

We have used the "Multiple of Exploration Expenditure" method to estimate the realisable (market) value of GSLM's SEL 13/98 exploration property. This method is most often used to assess value for a "grass-roots" exploration property. In this method, the total historical costs of acquiring and exploring the property up to the present point in time, plus committed and approved future exploration expenditure, is taken as the base. To this is applied an "exploration effectiveness multiplier", a measure of the usefulness of the expenditure to the development of future exploration programmes and the effective equity interest.

The result is adjusted by applying a "prospectivity enhancement multiplier" (PEM) representing the valuer's opinion of the company's potential success (or otherwise) in upgrading the prospectivity of the property. This factor would normally lie in the range of 0 to 3, with zero representing a complete write-off, and a value greater than one applying where exploration had successfully upgraded the property. The selection of the appropriate enhancement factor is subjective and dependent on the valuer's experience and judgement.

3.2.5 JOINT VENTURE TERMS

The terms of a joint venture agreement or proposed agreement indicate the value placed on a property by a (usually) knowledgeable incoming partner who is prepared to invest in the property to earn an interest and the value placed on the property by the vendor. This method has to take into consideration the full details of the agreement, particularly the terms under which the incoming partner can withdraw.

3.2.6 IN SITU VALUES METHOD

Where some data on Resources and Reserves exists, a discounted subjective profit margin per unit of production is sometimes used based on the valuer's experience and judgement. This works best for simple situations such as gold or petroleum deposits. With deposits such as coal and iron ore, which may have several process options and for which there is likely to be a very heavy capital influence to project economics this method is of doubtful validity. A&S has determined that this method is inappropriate in this instance as no petroleum Resource figures of any credibility have been provided and so this method has not been used.

3.2.7 Comparable Transactions Method

Comparable transactions relate to the values of reasonably recent transactions for other properties that are judged to be similar and / or in the same region as the property in question. As such transactions are often of a joint-venture nature, it is necessary to discount the apparent value for time and for the probability of the earning expenditure being completed or adjust them for other payments such as royalties to be triggered by successful exploration.

Since no recent or even modern transactions involving the sale or trade of petroleum properties have taken place in this basin we have not used this methodology.

3.2.8 Alternative Acquirer Method

The "Alternative Acquirer" valuation method considers the premium price that an alternative acquirer is prepared to pay for a business to gain entry into a business, or to achieve economies of scale, reductions in competition and synergies with existing operations, or other factors. We have not applied this method to SEL 13/98 as we are unaware of any other potential acquirers and the value of the property is specific to an individual acquirer.

3.2.9 Capitalisation Of Future Maintainable Earnings Method

The "Capitalisation of Maintainable Earnings" methodology, which values an entity based on an empirically derived multiple of maintainable earnings, is appropriate where the earnings of a business are stable and sufficient to justify a value exceeding the value of the underlying assets. A&S has not used this method to provide a value for SEL 13/98 as it is purely an exploration company and has no stable earnings profile.

3.3 Material Issues

The following issues have been considered by A&S during the valuation process as they are regarded as being material to this assessment.

They are GSLM's :-

- reliance on being granted a renewal of SEL 13/98 by Mineral Resources of Tasmania;
- financial and technical ability to continue to successfully appraise its exploration property;
- proven ability to extract value from its exploration programmes and the knowledge gained from these works;
- knowledge of the industry in which it operates;
- access to future capital that will enable them to undertake the proposed work programmes.

3.4 Other Matters

This report has been prepared in accordance with the principles outlined in ASIC Policy Statement 74, "Independent Expert Reports to Shareholders". It also conforms to the requirements of the Australasian Institute of Mining and Metallurgy's VALMIN Code.

4. GREAT SOUTH LAND MINERALS LIMITED

4.1 DESCRIPTION

Great South Land Minerals Limited (GSLM) is an unlisted public company incorporated in Tasmania in 1995 for the specific purpose of exploring for oil and gas onshore Tasmania.

GSLM holds one exploration licence SEL 13/98, which currently covers almost half of the onshore Tasmania Basin. The licence covers an area of 15,035 square kilometres and GSLM holds the exploration rights for all gas and liquid petroleum.

The exploration objective of GSLM is to find and extract commercial quantities of oil and/or gas from onshore Tasmania.

4.2 SPECIAL EXPLORATION LICENCE 13/1998

Special Exploration Licence 13/1998 (SEL 13/98) was granted to GSLM on 18 May 1999. The licence covered an area of 30,356 square kilometres and replaced three licences held by GSLM. These licences EL 1/88, EL 9/95 and EL 21/95 were originally held by GSLM's predecessor companies.

Modern exploration in the Tasmanian Basin commenced when the Broken Hill Proprietary Company (BHP) was awarded Exploration Licence 30/1980 (EL 30/80) on April 15, 1981, to explore for coal. The licence was granted for a period of 12 months and consisted of an area of 12,900 square kilometres, which was reduced to 2,480 square kilometres in four parts on April 15, 1983. Mobil Energy Australia then farmed in and worked the licence until April 15, 1984 at which time the licence was relinquished as the area was regarded as not appearing to contain any coal measure lithologies.

In June 1984, the recent phase of oil and gas exploration commenced when Conga Oil Pty Ltd, the earliest predecessor of GSLM acquired part of the D'Entrecasteaux Region of Southern Tasmania in order to verify old hydrocarbon reports. This licence was designated EL 10/84 and covered an original area of 50 square kilometres. During the following years up until 1988 it continued to acquire exploration rights to a large part of Southern Tasmania. During 1987 Condor Oil Investments joined Conga Oil as a joint venture partner.

In 1988, EL 10/84 was incorporated into a new permit EL 1/88, which covered an area of 3500 square kilometres. Conga Oil continued to explore this area until 1995 when it formed Great South Land Minerals Pty Ltd. Exploration Licence 1/88 was assigned to GSLM Pty Ltd and two other licences, Exploration Licence 9/1995 (EL 9/95) covering and area of 3700 square kilometres and Exploration Licence 21/ 1995 (EL 21/95) covering an area of 6000 square kilometres, were granted. GSLM Pty Ltd now held a total area of 13,200 square kilometres. All licences expired in 2001. In March 1998 GSLM Pty Limited changed from a private to a public company, GSLM Limited, by way of a special resolution approved by shareholders. A new, enlarged exploration licence SEL 13/98 was formed from these three exploration licences and GSLM continued to explore these areas until the permit officially expired on 18 May 2004.

The submission to the Minister to renew SEL 13/98 was dated 6 May 2004. The submission requested the new area to be approximately 15,000 square kilometres centred dominantly on the central and northern parts of the Tasmanian Basin. A work programme covering full five years, detailed and costed was included in the application for the licence renewal. The work programme will be modified to take into account exploration results as they become available.

4.3 EXPLORATION RESULTS AND PROSPECTIVITY

No information on the work programme undertaken by the Broken Hill Proprietary Company (BHP) has been made available to A&S although we are aware that it was primarily focused on the coal potential of the basin. We have reviewed the results of work carried out by Mobil Energy Australia, which comprised an initial, extensive literature research followed by field mapping in numerous isolated areas within the Licence. The literature studies indicated that a great deal was still unknown regarding the coal potential over much of the central Tasmanian Basin and it was, in effect, relatively poorly explored. Additional aims of the field-mapping programme were to enable a ready identification of Permian strata to be made for future drilling operations and to assist in the selection of drill hole locations.

Mobil's drilling operations, preceded by a ground based magnetics survey, commenced on October 2, 1983 and consisted of five cored holes totalling 987.75 metres, 814.19 metres of which was cored. The drilling targeted two horizons in the Permian sequence:

- Cygnet Coal Measures equivalents
- Faulkner Group containing the Mersey Coal Measures equivalents

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

Conga Oil Pty Ltd began work in 1984 and during the period to 1987 focused most of its work on undertaking reviews of the basin. During 1987, after a reported seepage was relocated and analysed, the company began a systematic exploration programme in the region. Recognising the need to be able to map sub-dolerite structure, Conga Oil firstly attempted to extend the gravity and magnetics databases in the Tasmanian Basin. Whilst this has helped in defining regional trends and lineations, the lack of subsurface control and the limitations of the methods themselves limited the usefulness of these techniques for the purpose of identifying potential hydrocarbon traps. Good quality seismic imaging of structure beneath the dolerite still remained an essential but difficult to achieve exploration tool.

The work completed by Conga Oil established that: -

- Oil had definitely been generated and that active seeps were observed in certain areas;
- Source rock studies of vitrinite reflectance and conodont alteration index confirmed that Ordovician carbonates exposed around the region were within the oil window;
- Permian and younger rocks blanket most of the region and obscure distribution;
- Basin development began in the late Precambrian, was most active in the Cambrian, but continued up to Middle Devonian times.

After 1988 exploration continued in the newly incorporated and expanded area of EL 1/88. Despite earlier discouraging seismic acquisition data results, due dominantly to the widespread coverage of dolerites onshore Tasmania, Conga Oil elected to attempt the acquisition of additional seismic data both on the main island and North Bruny Island in the vicinity of Johnson's seep. Additional data was acquired offshore in Storm Bay utilising AGSO's Rig seismic vessel. The seismic acquired was disappointing with data quality of the records very poor to the point that none of the sections are adequate for the purposes of identifying and mapping a petroleum traps.

During 1990, several scientific and exploration focused papers were produced and in 1991 Shell Australia reprocessed some marine and land seismic data. In 1991, Dr David Leaman produced a progress report on the interpretation of gravity and magnetics data in EL 1/88.

In 1992, Condor Oil took over responsibility for exploration and during this period up to and including 1994 produced several consultants' reports. During 1994 the stratigraphic wells, Shittim #1 (1751m) and Gilgal #1 (50m), were drilled on Bruny Island.

During 1995, Conga Oil incorporated GSLM Pty Ltd and assigned to it the title to EL 1/88 and gave over the role of exploration project manager Condor Oil became an equity holder in GSLM Pty Ltd. Two further ELs were then added to the portfolio and GSLM Pty Ltd increased its exploration efforts. Collaborative studies with a number of individual consultants and agencies were initiated and a considerable amount of data and an improvement in the company's understanding of the basin achieved. The Bureau of Mineral Resources undertook Rock Evaluation studies, Honours students at the University of Tasmania provided basin studies, Shell Development Australia reprocessed some earlier seismic data, BHP provided analyses in oil geochemistry, the State Mines Department acquired gravity and seimic data, CSIRO provided analyses of seep studies and geochemistry and Eugene Domack completed studies on the maturation and depositional environment of the Tasmanite oil shale.

At the request of the Mines Department an independent consultant was employed to assess the significance of the gas encountered at Shittim#1. The consultant, Mr Mulready (14 September 1995) concluded that the hole had established that a seal, reservoir and gas were present and that the results encouraged further investigation of the basin depocentre located in central Tasmania. On the basis of this report, GSLM then focussed its exploration activities in this area of the basin. Concurrent with this work, Trent J. Woods, University of Tasmania, investigated the timing of potential hydrocarbon generation from Palaeozoic sediments and the characterisation of potential reservoirs of the Lower Parmeener Supergroup. Financial support was provided by GSLM.

During late 1995 the Australian Geological Survey Organisation (AGSO) undertook a land based seismic survey over parts of the basin.

During 1996, a third stratigraphic well, Jericho #1 was pre-collared and drilled to a depth of 640m on Bruny Island.

The stratigraphic holes were located for the following reasons:

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

All three holes recorded petroleum hydrocarbons in a gaseous state.

- Shittim#1 recorded tar with zeolites in the fractured dolerite and gas from 810 metres depth. The hole was drilled onto 1021 metres without reaching the unconformity due, according to reports, to over pressured gas.
- Gilgal#1 recorded gas at its total depth of 51 metres.
- Jericho#1 recorded gas from 15 metres to the bottom of the hole at 228 metres.

During 1996, GSLM contracted Robert S Young, a U.S.A. based consulting Petroleum Geologist, to review the potential of oil and gas in the Tasmanian onshore Basin. The primary focus of Young's review involved analysing the work undertaken up to that date from a Petroleum Systems perspective. In this sense, he set about identifying whether the basic building blocks for the potential commercial producton of hydrocarbons existed within the Tasmanian Basin.

Young concluded that:

- With some 270 seeps and shows, which have been studied geochemically and have identified at least four mature oils, that it was very probable there are several possible hydrocarbon sources in the Tasmanian Basin. Geochemical comparisons of seeps show that the most likely source would be the Ordovician of the Gordon Group Limestones. Ratios of C27:C28:C29 Steranes are identical between seeps of the Bruny Island Johnson well and the Ordovician Gordon Limestone and the predominance of C27 Steranes and the abundant diasteranes in Tasmanian bitumens suggests a widespread algae and clay rich source rock.

- Conodonts colour indicates that much of the Gordon Limestone, particularly in central and southern Tasmania, is in the oil and gas windows. This limestone is expected to underlay Permian and Triassic sediments in much of the Tasmanian Basin. He also included the Permian Quamby Mudstone, "Freshwater Sequence" and Preolenna coal Measures as other potential source rocks. In all three rock units of which the total organic carbon may reach 25%, vitrinite reflectance data and fossil pollen colours show that these source rocks are within the oil window over large areas of the basin.

- Reservoirs are very easily envisioned in the shallow marine Ordovician Limestones as palaeokarsts, reefal or fractural. Since limestones are considered source material, migration would be minimal. Additional potential reservoirs are within the Siluro-Devonian sandstones of the Eldon and Tiger Range Groups and within sandstones of the Permian Bundella Formation, Faulkner Group and Liffey Sandstone of the Lower Parmeener Super Group. Measured porosities in the Faulkner and Liffey are 13% and 12% respectively, while other Permian sandstones in the northern area of the licence have porosities averaging 16% and horizontal permeabilities ranging up to 386 millidarcies.

- Evaporites are most efficient seals mainly because they offer very little or no pore space; however, the long-term sealing properties of very fine grained, water wet porous rocks such as shales are also remarkably efficient in the absence of open fractures. This is due to the displacement pressure barrier effect created by capillary pressure between oil and water in rock pores. It is anticipated that the Ordovician Limestones reservoirs would be sealed by additional limestone within the Gordon Group or by the Turo Tillite above the unconformity. Good seals of shale and silts are found throughout the Permian-Triassic sedimentary sequence. The Jurassic dolerite sills also make excellent cap rock for the Permian-Triassic reservoirs.

- Defining traps and structural features within the basin is very difficult to impossible without good reflection seismic records. To date, there has been very little reflection seismic data and most of the data is poor quality due to the extensive dolerite cover over a large part of the basinal sediments. Relatively good quality seismic data has been obtained in areas where the dolerite cover is thin or absent. The results of the seismic work on the TASGO project show that an improvement in data quality and penetration of recordings through the dolerite can be achieved and this will aid in better defining structural traps. The present gravity and magnetics, which have been extensively used to date, have been able to define regional structural elements of mostly Palaeozoic. Structures in the Permian, or younger, are probably going to be faulted, and of low relief.

- Except in unusual circumstances, most untrapped oil in sedimentary basins originates from synclinal drainage areas that surround the trap itself. Thus, migration distances commonly range in tens rather than hundreds of miles, particularly on strongly structured or faulted basins.

During 1997, several reports on various aspects of the petroleum potential of the basin were produced. Four stratigraphic wells were planned and drilled. Lonnavale #1 was pre-collared and drilled to 557m; Hunterston #1 was pre-collared and drilled to 336m; Bridgewater #1 was pre-collared and drilled to 252m and Pelham 31 was pre-collared and drilled to 503m. Reports on all these wells were provided to Mineral Resources Tasmania.

1998 saw the conclusion and release of results of TASGO Project, a joint Federal and State Government project initiated to expand understanding of Tasmanian mineral and petroleum potential. G.E. Carne produced a report on "An Evaluation of the Oil and Gas Potential of Tasmania and during 1999, Dr. L. Wakefield produced a report titled "Independent Geologist's Report on the Exploration prospectivity of the Onshore Tasmanian Basin. GSLM produced a paper for the 2000 APEA Journal titled, "Petroleum Systems in Tasmania's Frontier Onshore Basins".

During 2001, GSLM completed 660 line kilometres of regional seismic survey TB01 over part of the area of SEL 13/98. At the conclusion of the seismic programme an environmental report was submitted to the Department of Primary Industry, Water and the Environment's Threatened Species Unit. Robertson Research Australia Pty Ltd processed the data with final and migrated stacks completed for all lines. The preliminary results of the interpretation identified several potential anticlinal/domal traps. Two small anticlinal structures were identified in the Parmeener Supergroup beneath the Longford basin and one in the Tertiary infill of the Longford Basin. Six potential traps were recognised in the Central Highlands area where gently dipping anticlines in the Parmeener almost directly overlie and reflect more steeply dipping anticlines beneath the Devonian unconformity. These Devonian structures are probably mainly within the Wurawina Supergroup and contained within the Devonian fold-thrust belt. Based on these seismic results GSLM planned the next regional seismic survey, TB02 a 1075 line kilometre programme designed to acquire further regional data, to define structures identified during the TB01 survey and to place lines close to wells that were drilled and pre-collared in 1997. GSLM continued its relationship with the University of Tasmania through the ARC-SPIRT joint research program with the appointment of three PhD students.

During 2002 and 2003 GSLM continued to work on the 2D seismic data acquired during 2001 and a report on an analysis of the Longford Sub-basin was also completed. Approval was obtained to re-enter and deepen (1700m) the stratigraphic well, Hunterston#1. The well was eventually terminated at a depth of 1324m, which was carried out as part of a farm-in process whereby OME Resources Australia Pty Ltd was to earn a 5% interest in the licence. Hydrocarbon gas was noted at various depths while coring and analyses of gas samples confirmed the presence of Helium gas (>1.0%) from the formations below the Tasmania Basin. Further details on the joint venture with OMERA are contained below in Section 4.5.2.

4.4 FUTURE EXPLORATION PROGRAM

As part of its submission to the Minister regarding renewal of Permit SEL 13/98, dated 10 September 2004, the company submitted a detailed and costed programme of works covering the full five years of the of the renewed licence. Stated in the application was the company's acknowledgement that the work programme would be modified to take into account exploration results as they became available.

As the MEE method allows committed and approved expenditures for future exploration programmes to be included in the base A&S has included the next twelve months proposed expenditures in its valuation of the property.

The Exploration Philosophy supporting this programme is based on the research carried out mainly in the last five years during which the company has identified the two petroleum systems referred to earlier. The company considers the mainly oil prone Gondwana Petroleum System (GPS) in the northern section of the basin to be more prospective than the mainly gas prone Larapintine Petroleum System (LPS) to the south. Furthermore, they have established that faulting is much more intense in the southern half of the basin thereby reducing trap size and increasing the risk of seal breaching. Additionally, the centre of the basin has not been uplifted to the extent of areas in the Central Highlands and in the south, suggesting that the source rocks were/have been in the generating kitchen for much longer than in the highlands.

They therefore propose to implement an exploration programme that concentrates seismic exploration in the central parts of the Tasmanian Basin but one that also explores the potential of the LPS under the Central Highlands.

To date, GSLM has not drilled seismically defined targets and the aims of this programme will be to define accurately as many targets as possible before drilling exploration holes. Stratigraphic wells will also be drilled in order to increase geological and petrophysical knowledge of what is still a frontier basin. Additional to this field work, GSLM plans to continue with research and development work in conjunction with the University of Tasmania. Research work will include lithological, petrographic, geochemical and palaeontological data gathering from the field and from cores, data plotting and syntheses. All data will be included on a three-dimensional computer model of Tasmania.

4.4.1 Seismic Acquisition

Over the next five years a total of approximately 2000 line kilometres of seismic data acquisition is planned with 1600km to expand the regional coverage and 400km to more closely define discovered structures. As was the case with the survey TB01, the lines have been located wherever possible along roads in order to minimise the impact of the survey on private land and on environmentally sensitive areas.

During the next twelve months three Stages of acquisition are planned.

Stage 1	Will build on the initial interpretation of the seismic survey TB01 that indicated the presence of a number of anticlinal structures. Approximately 145 line km of seismic survey is planned starting late december 2004 to further define identified structures.
Stage 2	The initial interpretation of the seismic survey TB01 indicated the presence of a large anticlinal structure. To further define this structure it is planned to acquire approximately 52 line km of seismic as soon as possible after the acquisition of Stage 1. A number of wells were drilled and collared in 1997. It is planned to acquire approximately 108 line km of seismic data in the immediate vicinity of the wells, Lonnavale#1, Pelham#1 and Bridgewater#1 in order to evaluate the potential for drilling ahead on these wells.
Stage 3	Will involve continuing the regional grid over the Tasmanian Basin. 704 line km will be acquired to expand seismic coverage to the South, Southeast and East parts of the Tasmanian Basin. A long regional line is planned to extend to Cockle Creek in the far south of the basin and shorter lines are planned towards the Florentine Valley in the west and to the eastern limit of the lease area. The western line will allow a tie of the Ordovician geology of the Florentine Valley to TB01 profiles and the eastern line is expected to show progressive thinning of Permian units eastwards. The southern line should yield important information concerning both petroleum systems.

Environmental, heritage and indigenous approvals have been given in the past for a programmes similar to TB02 and a renewal of these approvals will be sought from DPIWE and others during Q4 '04. Similarly, the existing approvals to operate vibroseis trucks on Tasmanian roads have expired; an application for renewal will be sought for DIER. Permission to operate the vibroseis trucks on council or on private property will be sought in a similar fashion to the approvals obtained for the TB01 survey.

Interpretation will be carried out either in-house, in conjunction with the Earth Sciences School of the University of Tasmania or by contractors. The 660 line kilometres of seismic survey acquired during the TB01 survey were processed by Robertson Research in Perth with final and migrated stacks produced for all lines. Various preliminary interpretations have been made as part of the SPIRT programme and GSLM will commission an independent expert to prepare a report to consolidate these interpretations. This consolidated interpretation report will be submitted to Mineral Resources Tasmania by 1 December 2004.

4.4.2 Drilling Program

During the course of the five-year work programme four Stratigraphic wells have been budgeted; although GSLM has indicated that it is possible that one or more of these will be replaced by exploration wells depending on the success of the seismic programme. During the first twelve months it is proposed to drill a stratigraphic well in the Longford Sub-basin, which will be designed to test Gondwana Petroleum System beneath the Tertiary. This well (Lachish#1) will provide information on the Tertiary of the Longford Basin and on the petrophysical, seal, reservoir and source rock characteristics of the Parmeener Supergroup under the Longford Sub-Basin. Down hole seismic will allow a re-interpretation of the seismic profiles of the Permo-Triassic beneath the Longford Basin obtained in TB01. Lachish#1 is planned at a location near the Valleyfield Road, approximately 9km west of Conara on the "Stockwell" property. Lachish#1 is situated close to the intersection of two seismic lines TB01-PT and TB01-TE and is planned to be drilled and cored to a depth of about 2000m. Approvals for Lachish#1 have been granted by MRT. The approvals have expired and well programmes will be re-submitted.

Table 4.4-1:- Annual Budget for period 1 October 2004 to 30 September 2005.

Activity	Q4 '04	Q1 '05	Q2 '05	Q3 '05
Planning & Supervision	40	40	40	40
R&D	40	40	40	40
Seismic Interpretation	30			
Stage 1 Seismic	95	600		
Stage 2 Seismic	80	1100	100	
Stage 3 Seismic		100	2686	30
Lachish#1 well				200
Quarterly Total	285	1880	2866	310
Annual Total				**5341**

Figures expressed in $'000.

4.5 VALUATION OF EXPLORATION INTEREST

A range of values has been placed on GSLM's exploration licence using the Multiple of Exploration Expenditure Method and the Joint Venture Method.

4.5.1 Multiple of Exploration Expenditure Method

Records of exploration expenditure for the area have been reviewed for the period commencing April 1980 through to 30 June 2004. In our review and calculations, no allowance has been made for any exploration expenditures incurred since 30 June 2004. A&S has determined that a total of $21.874 million has been spent on exploration activities during this period.

SEL 13/98 has, since 1984, in one form or another been explored as intensively as practical given the limited resources of GSLM and its predecessor companies. Exploration expenditures in the early years have been focused on early stage exploration activities including such things as seep sampling and analysis, field mapping, desk top studies and research activities aimed at developing a greater understanding of the sedimentological and hydrocarbon generative aspects of the basin however, as this knowledge base developed and their understanding increased the company's exploration efforts have, in more recent years, been focused on acquiring reflection seismic data and in drilling stratigraphic wells in an attempt to resolve the structural complexities of the basin. Indications of hydrocarbons have been encountered in many of these stratigraphic wells. At this stage, it is reasonable to state that the earlier seismic data has provided some insight into the structural styles developed in the basin and that several leads have been identified. None of these features could be described at this stage as being of prospect status but the planned seismic during late 2004 and 2005 should provide more information and provide the company with greater comfort on the integrity of one of the features that they are planning to drill towards the end of 2005.

As we have seen, considerable geologic knowledge of the petroleum prospectivity of the Tasmanian Basin has been gained during this period and despite its current status as a frontier basin, a great deal of technical data has been recorded, collated, synthesised and published, to the extent that its prospectivity for the discovery of commercial hydrocarbons is significantly greater than previously believed. Based on the information that has been presented to A&S and our own investigations we have assumed that Effective Exploration Expenditures to be in the order of $15.842 million. See Table 4.5-1 for a review of this data.

Table 4.5-1: Exploration Expenditures and Effective Expenditures Review of Area Covered by SEL 13/98.

Date	EL	Item	Actual Expenditure	EEM	Effective Expenditure
5/1981 to 6/1988	EL 30/80	BHP, Mobil – no break up available	$3.357m	50%	$1.679m
6/1984 to 6/1988	EL 10/84	Conga – no break up available			
7/1989 to 6/1989	EL 1/88	no break up available	$0.420m	40%	$0.168m
7/1989 to 6/1990	EL 1/88	no break up available	$0.037m	40%	$0.015m
7/1990 to 6/1991	EL 1/88	no break up available	$0.037m	40%	$0.015m
7/1991 to 6/1992	EL 1/88	no break up available	$0.074m	40%	$0.030m
7/1992 to 6/1993	EL 1/88	no break up available	$0.157m	40%	$0.063m
7/1993 to 6/1994	EL 1/88	Geology, admin,	$0.086m	40%	$0.034m
7/1994 to 6/1995	EL 1/88	Geology, drilling, admin.	$0.331m	70%	$0.232m
7/1995 to 6/1996	EL 1/88	GSLM – no expenditures	$0.000m		$0.000m
7/1996 to 6/1997	EL 1/88	Geology, geochem., drilling, admin.	$0.905m	70%	$0.633m
	EL 9/95	Geology, geochem, drilling, admin	$0.078m	50%	$0.039m
	El 21/95	No expenditures	$0.000m		$0.000m
7/1997 to 6/1998	EL 1/88	Geol, geophy, geochem, drill,admin.	$0.348m	70%	$0.243m
	EL 9/95	Geol, geochem, drilling, admin.	$0.453m	70%	$0.317m
	EL 21/95	Geol, geophy, drilling, admin.	$0.097m	50%	$0.048m
7/1998 to 6/1999	EL 1/88	Admin.	$0.089m	70%	$0.062m
	EL 9/95	Geol, admin.	$0.090m	50%	$0.045m
	EL 21/95	Admin.	$0.089m	50%	$0.045m
7/1999 to 6/2001	SEL 13/98	Geophysicis, admin.	$2.729m	80%	$2.183m
7/2001 to 6/2002	SEL 13/98	Geology, geophy, drilling, admin.	$1.283m	90%	$1.155m
7/2002 to 6/2003	SEL 13/98	Geology, geophy, drilling, admin.	$2.027m	90%	$1.824m
7/2003 to 6/2004	SEL 13/98	Geoph, drilling, admin.	$0.376m	80%	$0.301m
9/2004 to 9/2005	SEL 13/98	Geophysics, drilling, admin.	$5.311m	100%	$5.311m
	New Appl.				
		Total	**$21.874m**		**$15.842m**

EEM - is the Exploration Expenditure Multiplier that is derived from an evaluation of the value added to a property from the exploration activities that have been undertaken.

We have applied a Prospectivity Multiplier range of 1.5 to 1.9 on the basis that the exploration activities have identified the presence of two separate Petroleum Systems within the Tasmanian Basin. Source, maturation, expulsion and migration have been proved, reservoir and seals identified and some preliminary indications of trapping mechanisms shown to exist. Accordingly, it is our opinion that GSLM and its predecessors have demonstrated that all of the basic prerequisites required for the potential accumulation of commercial volumes of hydrocarbons have been proved to be present within the basin and the area of the tenement.

GSLM holds a 100% interest in the oil and gas exploration rights of this permit. A value has been placed on GSLM's exploration interests using the Multiples of Exploration Expenditure Method in the range $23.763 million to $30.100 million.

Table 4.5-2:- Valuation of SEL 13/98 Using Multiples of Exploration Expenditure Method

Item	Low Value	High Value
Permit Exploration Expenditure	$21.874m	$21.874m
Effective Exploration Expenditure	15.842m	$15.842m
Prospectivity Enhancement Multiplier	1.5	1.9
Equity holding (%)	100%	100%
Value	**$23.763m**	**$30.100m**

4.5.2 Joint Venture Method

On 10 May 2002 GSLM entered into a joint venture agreement with OME Resources Australia Pty Ltd (OMERA) by which OMERA was able to earn a joint venture interest in SEL 13/98 by conducting drilling and related work. The agreement between GSLM and OMERA established the Tasmanian Exploration Joint venture (TEJV). Stage 1 of this work related to the expenditure of $1,000,000 to complete the deepening drilling/coring of Hunterston#1 well and other activities for a 5% interest in the licence. As at 30 September 2002 GSLM recognised that OMERA had expended $663,536 on on-ground exploration. OMERA contended that expenditure incurred to 30 September 2002 had amounted to approximately $1,216,956.

Following an application from GSLM and OMERA, Mineral Resources Tasmania published details of changes to SEL 13/98 for public comment. The coal bed methane rights associated with SEL 13/98 were removed and awarded to OMERA. GSLM retained 100% interest in the remaining oil and gas exploration rights of SEL 13/98.

There was an optional Stage 2 where an expenditure of a further $2,000,000 on on-ground exploration would earn a further 10% interest in the licence. The TEJV agreement also allowed OMERA to earn 50% interest in the coal bed methane resources of SEL 13/98 by funding and carrying out an exploration program that includes the drilling of at least six test wells before 1 June 2004. This agreement was terminated when the coal bed methane rights were severed from SEL 13/98.

On the basis of Stage 1 of the original agreement, OMERA was to earn 5% interest by expending $1 million on exploration activities. This implies a value for 100% interest of $20 million at the time of the agreement, i.e., 10 May 2002. As this was an agreement to joint venture, it can be safely assumed that GSLM accepted that a reasonable value for the licence was $20 million and that the farm-in party, OMERA, believed that the value was also acceptable. The exploration work funded by OMERA proved successful in that further knowledge was gained from the Hunterston#1 well and natural gas containing a significantly high helium gas analysis obtained. As a consequence, it can be safely assumed that the value of the SEL 13/98 Licence has been upgraded by this work.

Since that agreement was signed, a further $2.403 million has been expended on exploration. Therefore, it can be reasonably assumed that the value of this licence, as at the date of this valuation, was at least $22.5 million.

While this value is close to the lower end of the valuation range obtained using the Multiples of Exploration Expenditure method we have strong reservations about the validity of using this method given; the time frame since the joint venture agreement was signed, and the expenditures that would have added to the value of the asset. In this instance, A&S has decided that the valuation range determined using the Multiples of Exploration Expenditure method represent a more reasonable assessment of the value of the SEL 13/98 asset.

Table 4.5-3:- Valuation of SEL 13/98 Using Joint Venture Terms Method

Item	Value
Cost for 5% interest	$1.000m
Cost for 100% interest	$20.000m
Value of Asset at Agreement Date	$20.000m
Expenditure since Agreement Date	$2.403m
Current Value	**$22.403m**

5 REFERENCES

5.1 ACCESS TO SENIOR MANAGEMENT

In undertaking the review and valuations A&S received good cooperation from officers and directors of Great South Land Minerals. We are satisfied that we obtained sufficient information to be confident that our observations reasonably reflect the current situation at Great South Land Minerals.

5.2 SOURCES OF INFORMATION

A&S possessed some prior knowledge about the assets of Great South Land Minerals although we had not personally visited the property. The knowledge that we did possess came from a variety of sources, including discussions with previous and current consultants to Great South Land Minerals, consulting assignments on similar exploration projects, specialist industry intelligence reports, competitive analyses and acquisition intelligence.

Great South Land Minerals supplied detailed technical, commercial and financial information and a list of these references is to be found in Appendix I.

5.3 BUSINESS AND TECHNICAL PLANNING SYSTEMS

The principal source of reliability in future projections is the quality of technical and business planning that goes into developing the projections themselves. A&S believes that Great South Land Minerals has the technical and business planning resources and processes capable of providing reasonable projections.

6 GENERAL

6.1 QUALIFICATIONS

6.1.1 Anderson & Schwab

Anderson & Schwab is a management and financial consulting firm that has specialised in providing its services to the minerals industry for the past thirty-seven years. Its Australian subsidiary (Anderson & Schwab Australia Limited) was established in 1997.

Anderson & Schwab was the technical specialist to Morgan Stanley Australia Ltd when that firm provided the Specialist's opinion concerning the dual listing of RTZ-CRA in 1995. The company reviewed all of the global operations of both companies and assessed the value of their respective exploration interests. In 1996, it was the lead consultant in advising Australian Diamond Exploration NL in response to a takeover offer by Ashton Mining Limited. A&S has provided Specialist's advice to Grant Samuel when that company provided an Independent Expert's Report to Aberfoyle Limited in relation to the takeover offer by Western Metals NL. It also provided Specialist's advice to Grant Samuel and to KPMG Corporate Finance when both of those organisations provided the Expert's Reports on the takeover offer by Rio Tinto for North Limited and Ashton Mining Limited respectively. Anderson & Schwab formed part of the project team that undertook a review of the mining, environmental, legal and economic issues associated with the Ok Tedi Mine, PNG; reviewed and valued the coal assets of PT Kideco, a 12 million tonne per annum Indonesian based coal mining and exporting company, formed part of the strategic review team that evaluated and valued the WMC Corridor Sands Project, and recently reviewed and valued the minerals assets and Stuart Oil Shale Project of Southern Pacific Petroleum and valued the South Australian coal assets of Kumagai Australia Pty Ltd.

Ian Buckingham, Managing Director of Anderson & Schwab Australia, is the firm's lead consultant in preparation of this opinion for PKF. Mr Buckingham was the leader of A&S' teams that worked on the Aberfoyle, North's, Ashton, WMC, Ok Tedi, PT Kideco, Corridor Sands, Southern Pacific Petroleum and Kumagai valuation assignments. He has also undertaken a number of strategic development assignments on behalf of global mining groups.

6.1.2 Ian D. Buckingham

Ian Buckingham, is the Managing Director of Anderson & Schwab Australia, and holds an MBA from RMIT University, Bachelor of Applied Science (Applied Geology) from the Victorian Institute of Colleges and Fellowship and Associateship Diplomas in Geology. Mr. Buckingham is a Member PESA and AAPG.

Commencing his career as a base metals, gold and diamonds exploration geologist he moved into gas engineering and petroleum exploration and development before establishing himself as a resources analyst in stock broking and investment banking. As an analyst he analysed, evaluated and developed financial models for major mining and energy companies. Since joining Anderson & Schwab he has worked on many projects where his knowledge and expertise in areas such as due diligence, valuation, commercial and technical analyses, concept and strategic development, financial modelling and general management have been required.

6.2 FEES

A&S will be paid a professional fee plus reasonable expenses for the preparation of this report. The fee is not contingent on the conclusions set out in the report, or the conclusion of the proposed transaction.

6.3 COMPLIANCE

This report has been prepared in compliance with the requirements of the "Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for independent Expert Reports" (The VALMIN Code).

6.4 DECLARATION

A&S has not previously worked on any assignment associated with Great South Land Minerals.

Neither A&S nor Ian D Buckingham have any business relationship with Great South land Minerals Limited or with any companies associated with those companies that could reasonably be regarded as being prejudicial to their ability to give an unbiased and independent assessment.

There is no present agreement, arrangement or understanding that A&S will at any time in the future undertake any assignment for Great South Land Minerals Limited or any company or organisation associated with them.

Other than as set out herein, neither A&S nor Ian D Buckingham nor any other person who contributed to this report has any interest in the company that is the subject of this report.

6.5 INDEMNITY

A&S and their associates have been indemnified by Great South Land Minerals Limited as to damages, losses and liabilities relating to or arising out of their engagement that do not arise from the fault of A&S or their associates.

6.6 CONSENT

A&S has given its written consent to the inclusion of this letter in PKF's IER to be provided to Great South land Minerals Limited's shareholders, pursuant to Australian regulatory requirements. As of this date, A&S has not withdrawn its consent. A&S has not been involved in the preparation of, or authorised or caused the issue of any other part of the documentation to be provided to Great South Land Minerals Limited's shareholders, other than this report.

Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with, or attached to any document or used for any other purpose without the prior written consent of A&S to the form and context in which it appears and the purpose of its use.

All of the persons involved in the preparation of this report have consented to the use of this assessment report, for the purpose stated above and in the form and context in which it appears.

6.7 LIMITATION

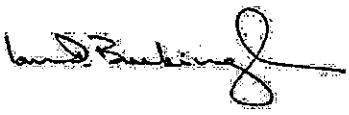
The statements and opinions contained in this report are given in good faith and, to a considerable extent; reliance has been placed on the information provided by Great South land Minerals Limited. All such information has been presented in a professional manner and A&S believes, on reasonable grounds, that it is true, complete as to material details, and not misleading. The work undertaken for the purpose of this report in no way constitutes a technical audit of any of the assets or records reviewed, and A&S does not warrant that its inquiries have realised all of the matters that an audit might disclose. A&S in no way guarantees or otherwise warrants the achievability of any forecasts used in this report.

6.8 FACTUAL AND CONFIDENTIALITY REVIEW

A draft copy of this report was provided to officers of Great South Land Minerals Limited for comments as to confidentiality issues, errors of fact or misinterpretation, or substantive disagreements on the assumptions that A&S has adopted. While A&S has withheld certain information deemed by Great South Land Minerals Limited to be confidential and included minor corrections and amendments in this final report as a result of comments received, neither the methodology nor conclusions were amended.

A&S gratefully acknowledge the assistance provided by the Directors and officers of Great South Land Minerals Limited in facilitating the preparation of this report.

ANDERSON & SCHWAB AUSTRALIA LIMITED



Ian Buckingham
Managing Director

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I.c WEB SITES

GSLM Web site – www.gslm.com.au

Australian Stock Exchange – www.asx.com.

APPENDIX O

RPS Energy - 2008

Competent Persons Report – Assets of Great South Land Minerals Limited, Australia

Competent Persons Report
Assets of Great South Land Minerals Limited, Tasmania

Prepared for

Empire Energy Corporation International (Leawood, Kansas, USA) and its wholly owned subsidiary Great South Land Minerals Limited of Hobart.

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Competent Persons Report
Assets of Great South Land Minerals Limited, Tasmania.

Prepared for

Empire Energy Corporation International (Leawood, Kansas, USA) and its wholly owned subsidiary Great South Land Minerals Limited of Hobart.

DISCLAIMER

The opinions and interpretations presented in this report represent our best technical interpretation of the data made available to us. However, due to the uncertainty inherent in the estimation of all sub-surface parameters, we cannot, and do not guarantee the accuracy or correctness of any interpretation and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees.

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	PREPARED:	**CHECKED:**	**APPROVED:**
NAME	**Brian Diamond**	**David Guise**	**David Guise**
SENT	**EDITION**	**DESCRIPTION**	**COMMENT**
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	Rev_0.doc	**Final Draft**	**For issue to Client**
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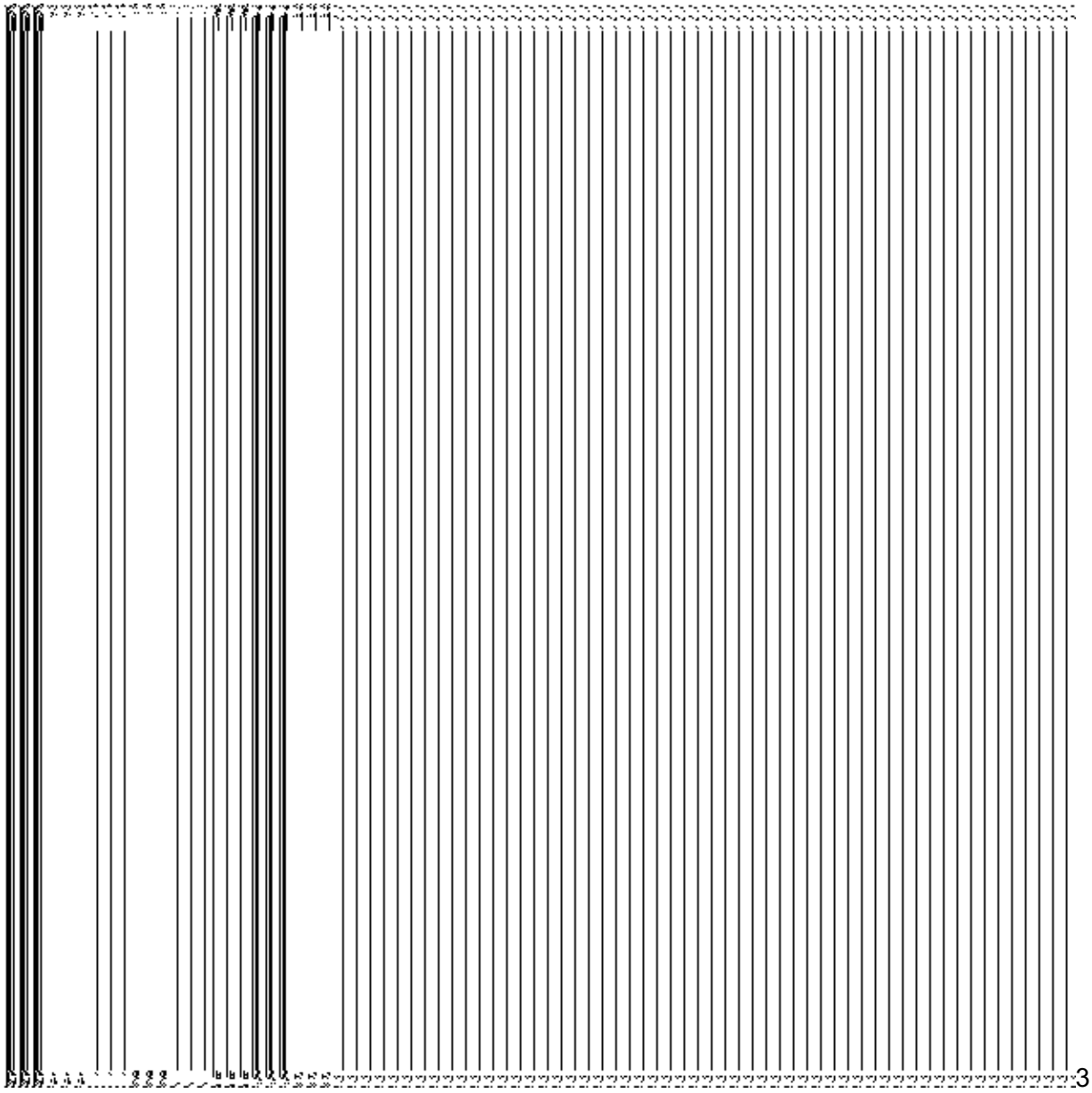

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3.2 Seismic and Gravity Data

GSLM acquired 659 kilometres of seismic reflection data in 2001 across the Central Highlands and in the Northern Midland and Southern Midland areas of Tasmania. In 2006, GSLM recorded 152 kilometres of 2D seismic data across the Central Highlands and in 2007 a further 345 kilometres of 2D seismic data was acquired across the Central Highlands and was interpreted and integrated into the seismic database.

GSLM also acquired a ground gravity survey in the Tasmanian Central Highlands. This data was incorporated with the state gravity database to produce the Bouger Anomaly and Residual Bouger Anomaly maps over the permit.

The current seismic basemap overlying the residual Bouger Anomaly map is shown in Figure 2, and the Seismic basemap with the borehole locations is shown in Figure 3.

The quality of the seismic data set is highly variable and coherent events across sections are rare. The line spacing and geometry is also problematic for defining individual structures and prospect mapping. The spatial geometry of the surveys is currently dictated by being mainly restricted to main roads. This is due to seismic acquisition logistics.

Generally the Permian to present day section on most seismic lines are of reasonable quality. The Pre-carboniferous sections tend to be particularly difficult to interpret due complex structural styles and poor imaging on most lines.

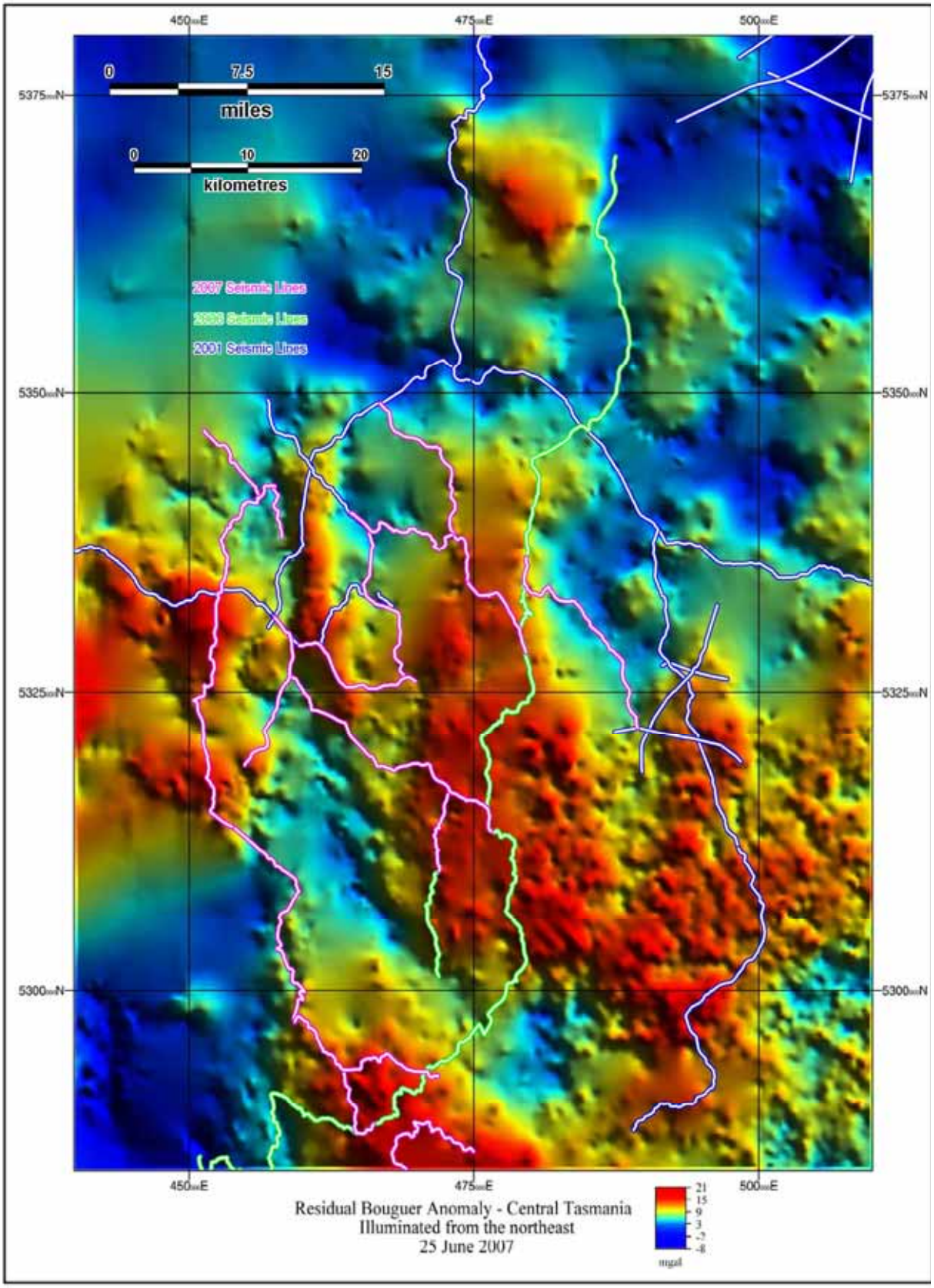

Figure 2 - Seismic Coverage Block SEL 13/98

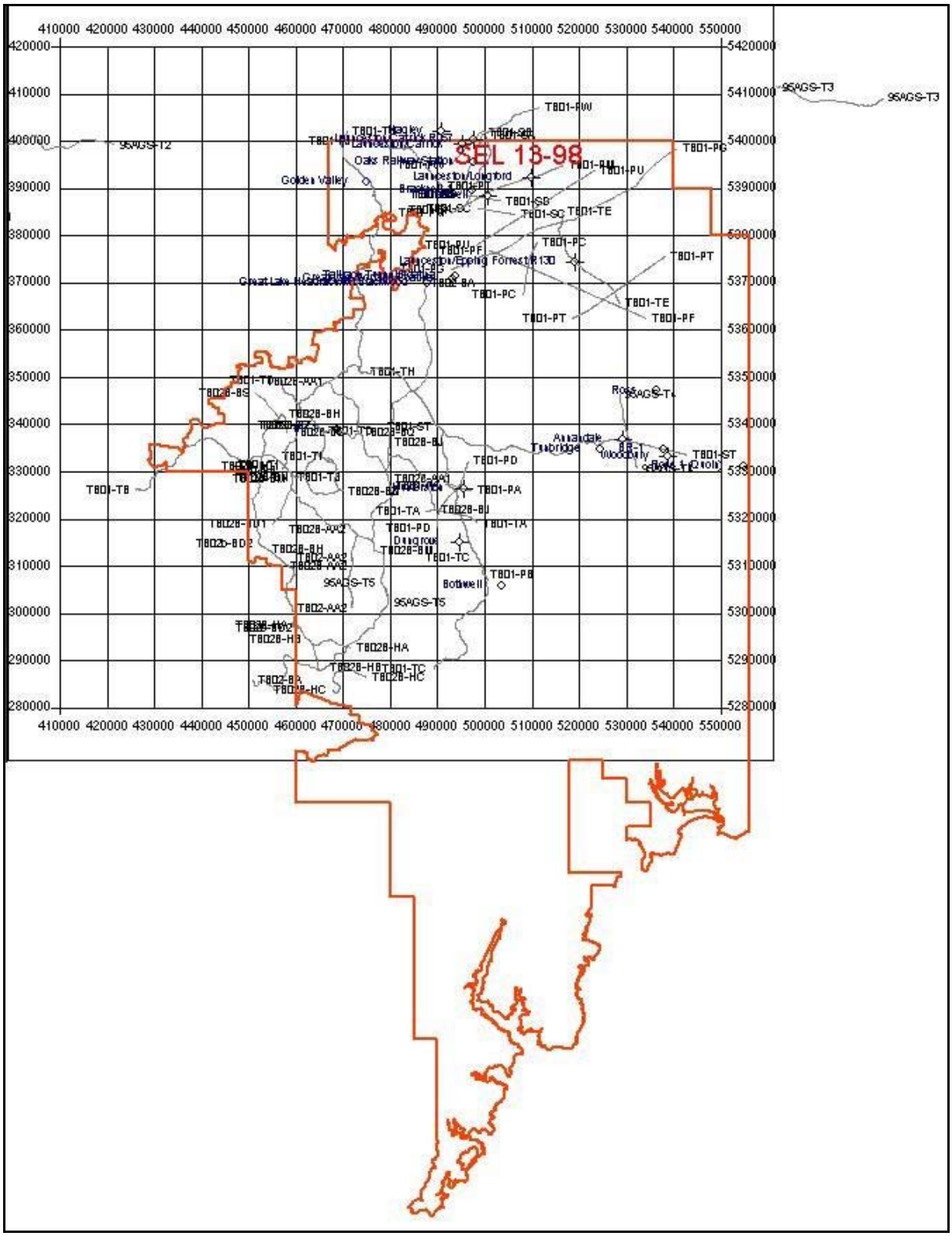

Figure 3 – SEL 13/98 Permit Map showing Seismic Lines and Wells

3.3 Structural Setting

The island of Tasmania is situated off the southeast coast of the Australian continent. The Tasmania Basin is an erosional remnant of a foreland basin (Collinson *et al,* 1987) that covers most of central and eastern Tasmania. A regional seismic line through the central part of the Tasmania Basin is shown in Figure 5.

The oldest basement consists of Proterozoic rocks which are exposed on the western half of Tasmania. Later basement rocks of Cambrian to Early Devonian age are known as the Wurawina Supergroup. All of these rocks were deformed by the mid Devonian tectonic event called the Tabberabberan Orogeny, which was a major Australian event.

Following a long hiatus, a succession of predominantly flat lying sedimentary rocks of Carboniferous to Late Triassic age were deposited (Bacon *et al*, 2000). In the Jurassic, dolerite intruded this succession as thick sheets, resulting in bodies with thicknesses of up to 600 metres. The total known maximum thickness of the Carboniferous to Late Triassic succession (excluding the dolerite) is 1.7 kilometres (Bacon *et al*, 2000). This is assumed that this estimate is based on the integration of drilling and outcrop data. The present boundaries of the basin are erosional and the original basin extent was probably much greater (Bacon *et al*, 2000).

Today there is no strongly defined depocentre in the epicratonic sediment layer, which makes up the basin. The basin was uplifted at the end of the Cretaceous, probably associated with the Australian-Antarctic plate margin break-up. Erosion of approximately two kilometres of sediment is interpreted to have occurred. No further sediment was deposited until the Cenozoic. Cenozoic deposits are only a few hundred metres thick.

The Tasmania Basin can be divided into three major structural elements (Figure 6). The Longford Sub-basin (onshore extension of the Bass Basin) effectively divides the rest of the basin into a large western half called the Central Lakes-Huon Block, and an eastern half called the Douglas River Block (block names modified after Wakefield, 2000). All of these areas are underlain by folded Palaeozoic rocks of Cambrian to Devonian age.

Over much of the basin, the Earlier Palaeozoic is covered by generally flat-lying Jurassic Dolerite and Permian to Triassic sediments. The Longford Sub-basin is evident at the surface in a region called the “Lowlands”. It formed due to extension in the Latest Cretaceous to Early Cenozoic (Stacey and Berry, 2004) but contains only a few hundred metres of Cenozoic sediments. A densely faulted zone, which may be a wrench zone, lies between the Longford Sub-basin and the Highlands (Blackburn, 2004). The Tiers Fault is an obvious cliff at the present day and it delineates the western edge of this zone (Figure 6).

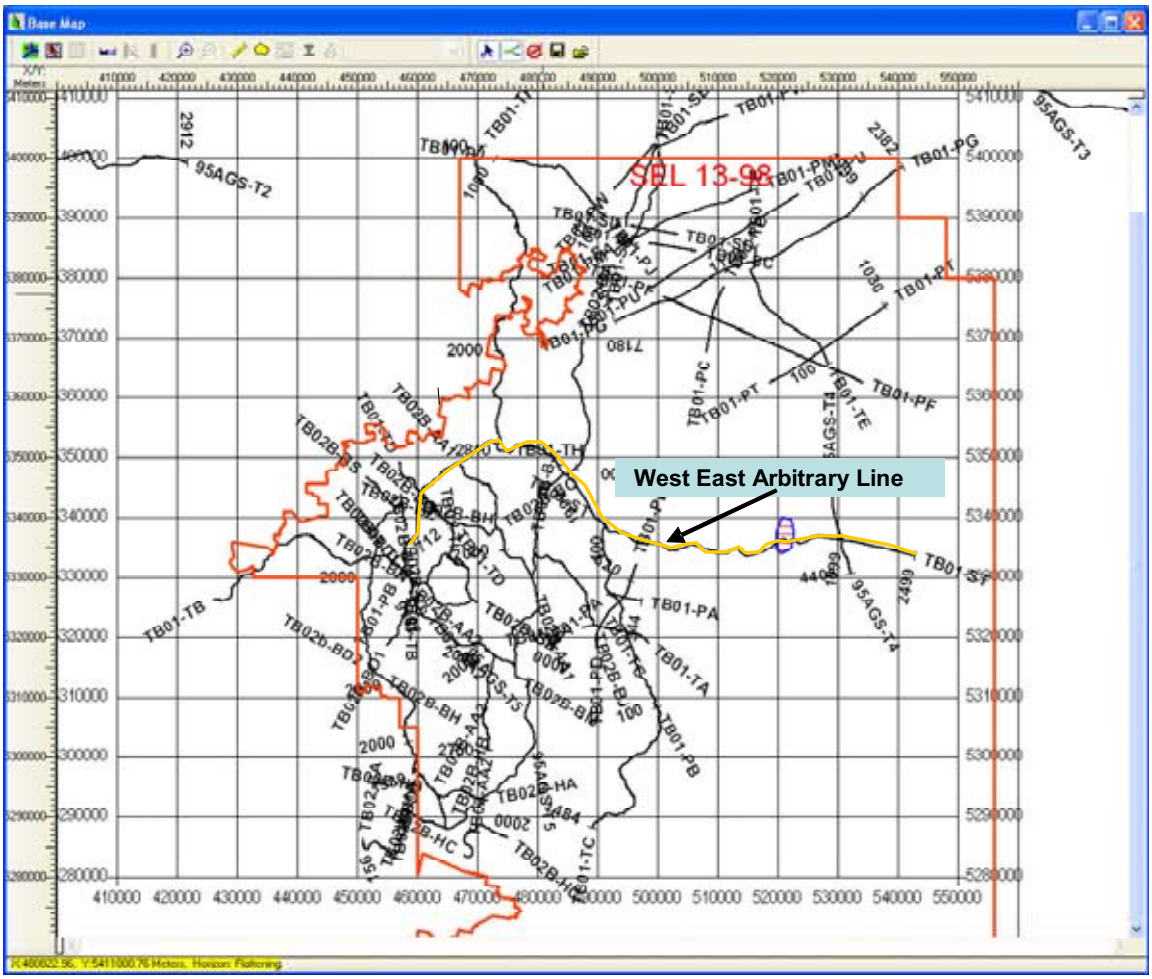

Figure 4 - West - East arbitrary line location map

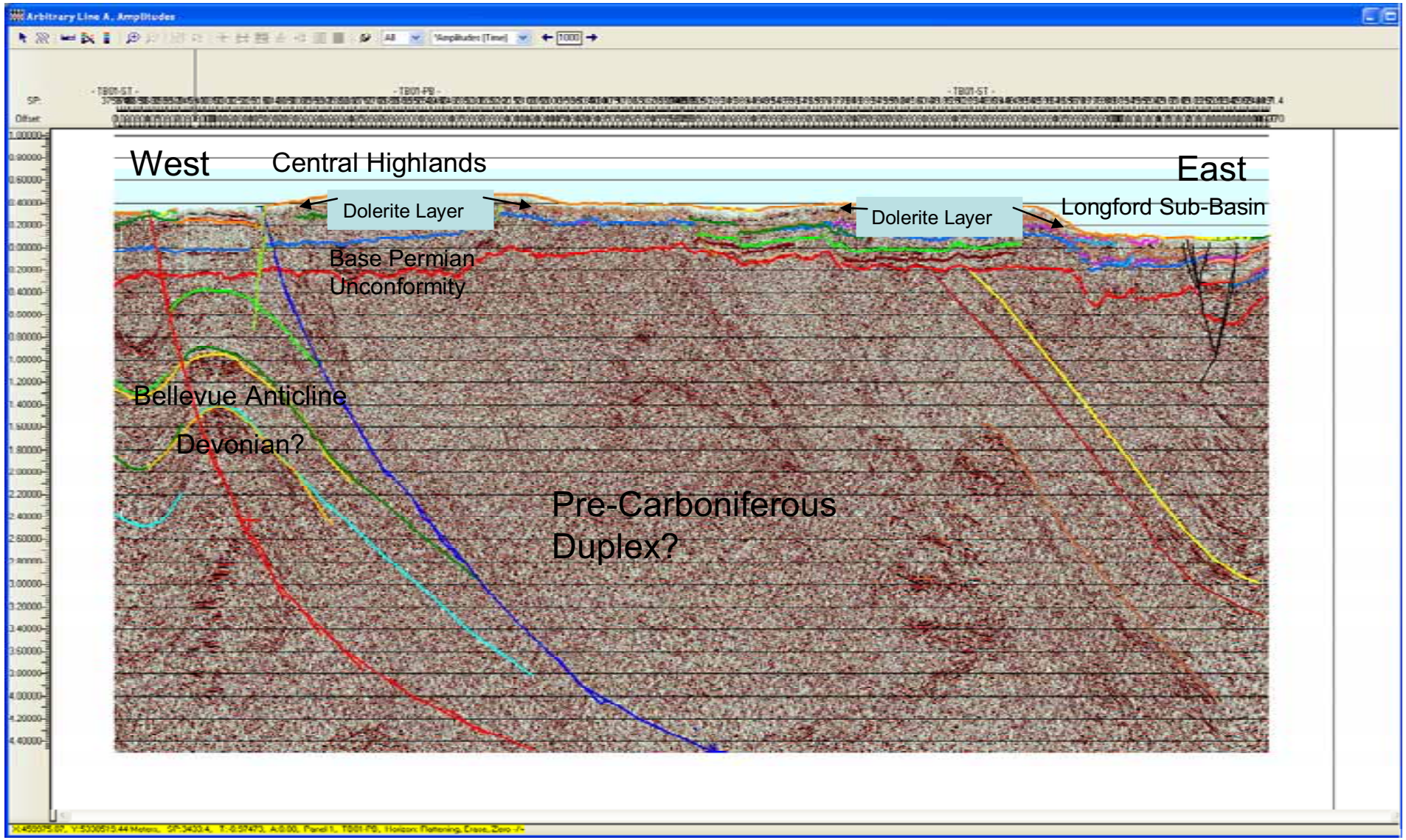

Figure 5 - Arbitrary seismic line through the central part of the Tasmania Basin. For line location, see Figure 4

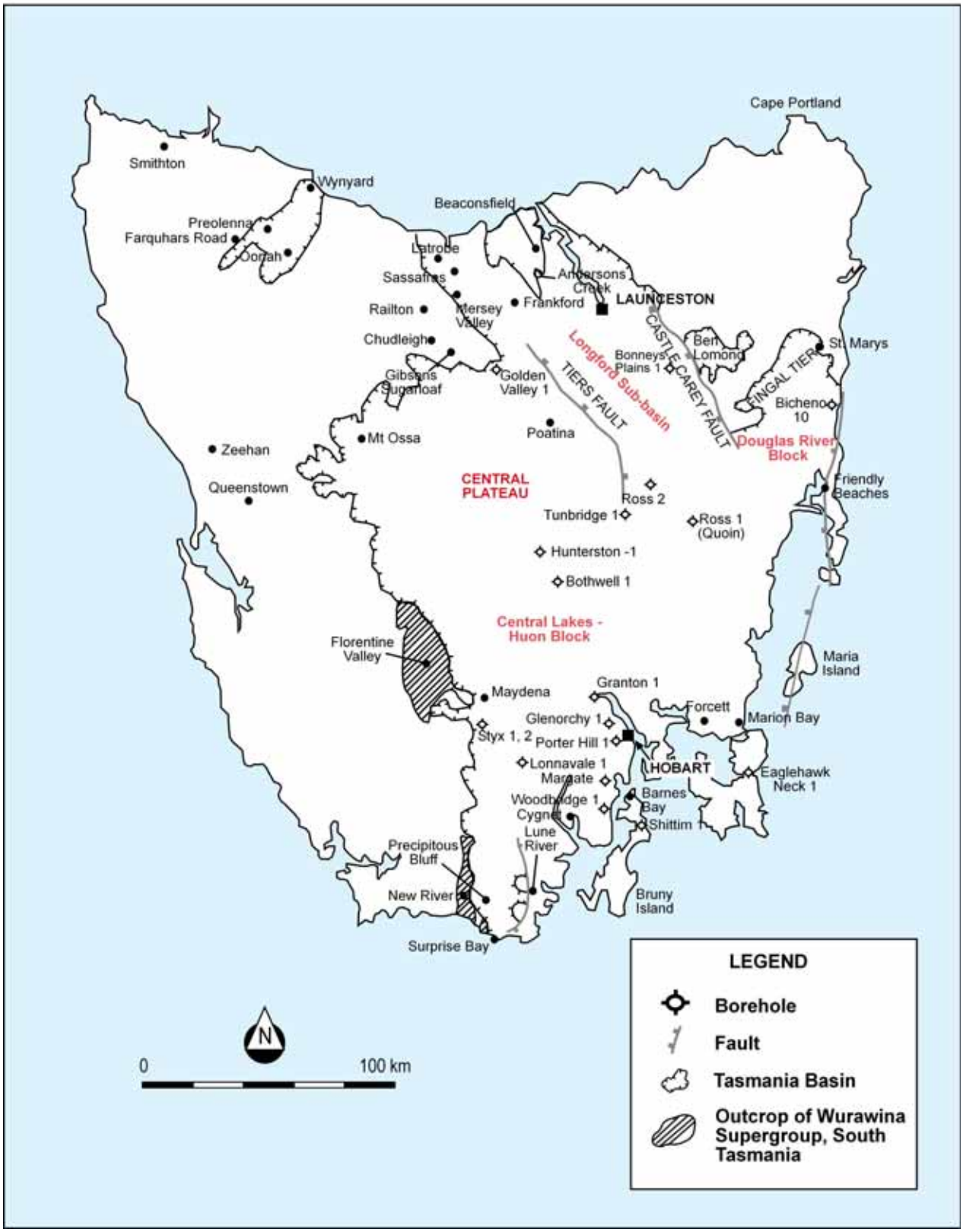

Figure 6 - Tasmania Basin major structural elements (modified from Seymour and Calver 1995a, and Wakefield, 2000)

3.4 Stratigraphy

The generalised stratigraphy of the Tasmania Basin is summarised in Figure 7. The stratigraphy of the basin is understood mainly as a result of the outcrop and the stratigraphic diamond bore holes (Table 5). The following stratigraphic summary is based on Bacon *et al*, (2000). A more detailed discussion can be found in Clarke and Forsyth (1989).

The sediments are separated into two supergroups; the Wurawina Supergroup of Early Palaeozoic age and the Parmeener Supergroup of Late Palaeozoic to Early Mesozoic age. These are separated by a major angular unconformity, associated with the Tabberabberan Orogeny. Each of the supergroups are sub-divided into a number of lower rank lithostratigraphic units (Figure 7).

The Wurawina Supergroup is a Late Cambrian to Early Devonian shelf carbonate and clastic succession (Bacon *et al,* 2000). The supergroup consists of Late Cambrian to Early Ordovician, shallow marine to fluvial siliciclastic rocks (Denison Group) overlain by 1.5 kilometres of predominantly micritic, shallow marine, warm water Ordovician limestone (Gordon Group), then up to 5 kilometres of shallow marine Silurian to Early Devonian siliciclastic rocks (Tiger Range Group) (Bacon *et al*, 2000).

Results from a regional conodont alteration index (CAI) study on the Gordon Group carbonates, performed by Burrett, (1992), indicate that these rocks are mature for hydrocarbon generation in southern Tasmania, showing a CAI typically between 1.5 and 4 (Bacon *et al*, 2000). The results of this work are summarised in Figure 8.

A major orogenic event occurred in the Devonian. This resulted in considerable folding of the Early Palaeozoic strata and was followed by a long hiatus, lasting approximately 80 million years (Figure 7).

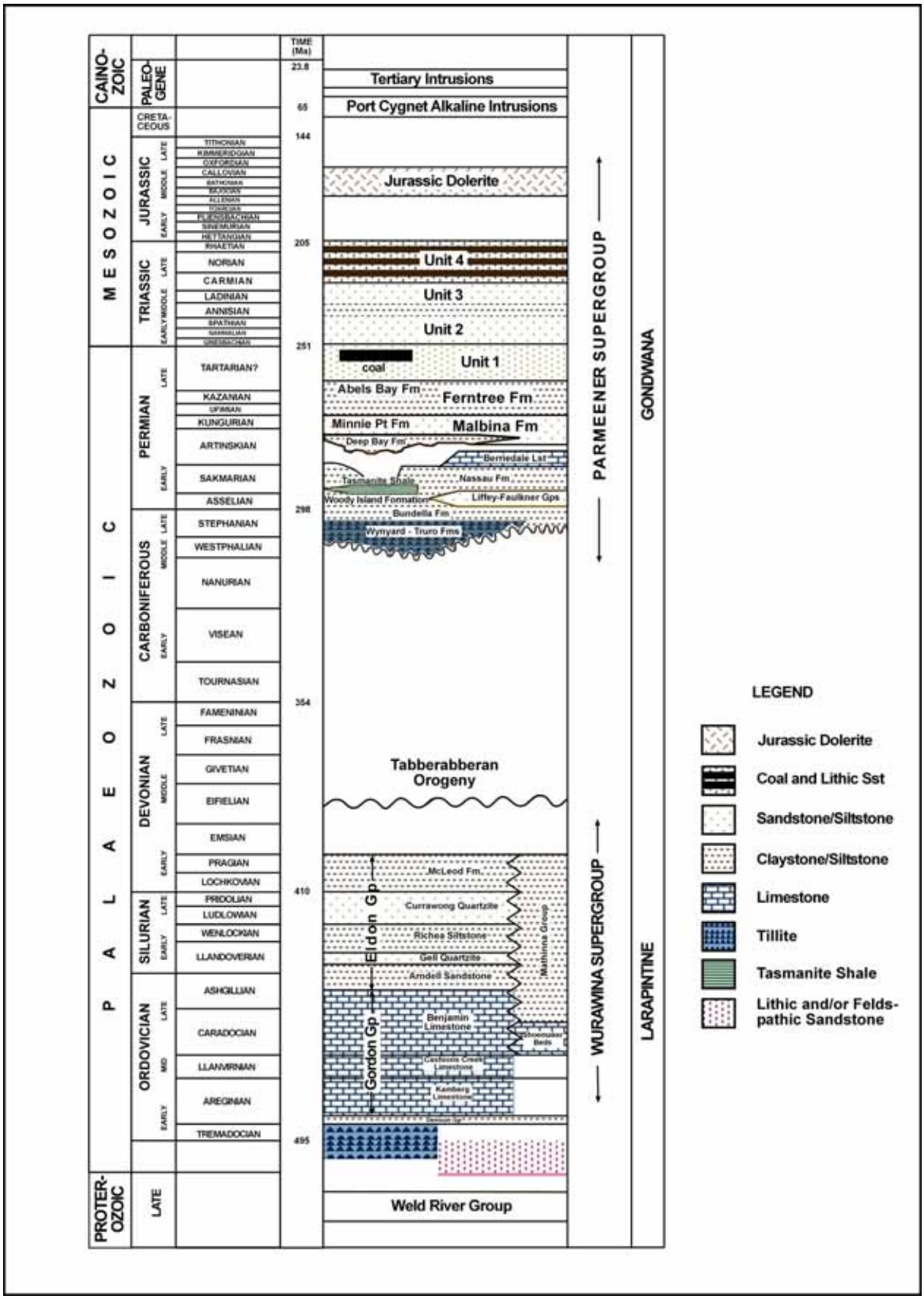

Figure 7 - Stratigraphy detail of the Tasmania Basin (modified from Seymour and Calver 1995b)

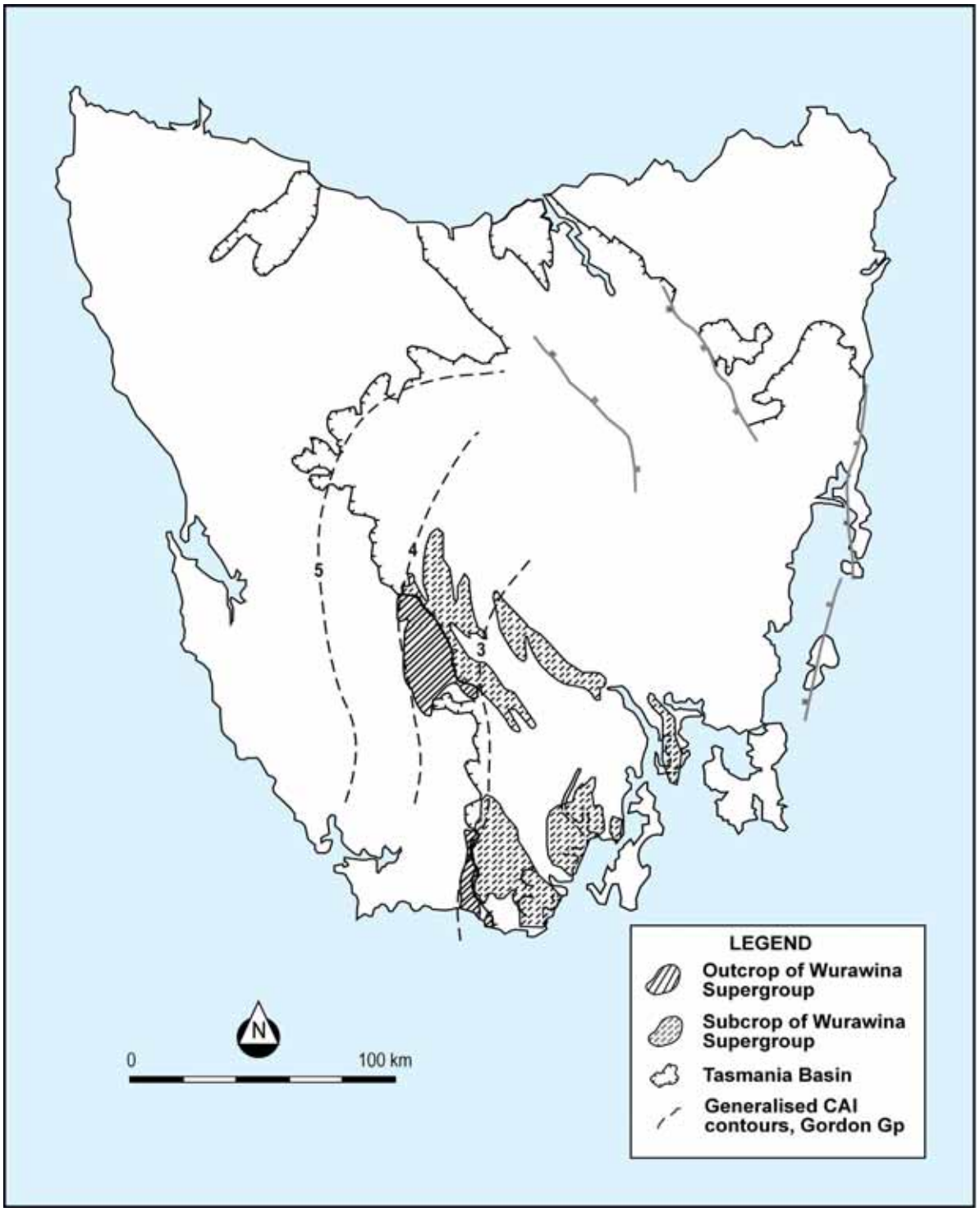

Figure 8 - Generalised CAI contours (modified from Burrett, 1992) with outcrop and inferred subsurface extent of Ordovician - Devonian basement rocks that may be mature for oil and gas generation (Leaman, 1996)

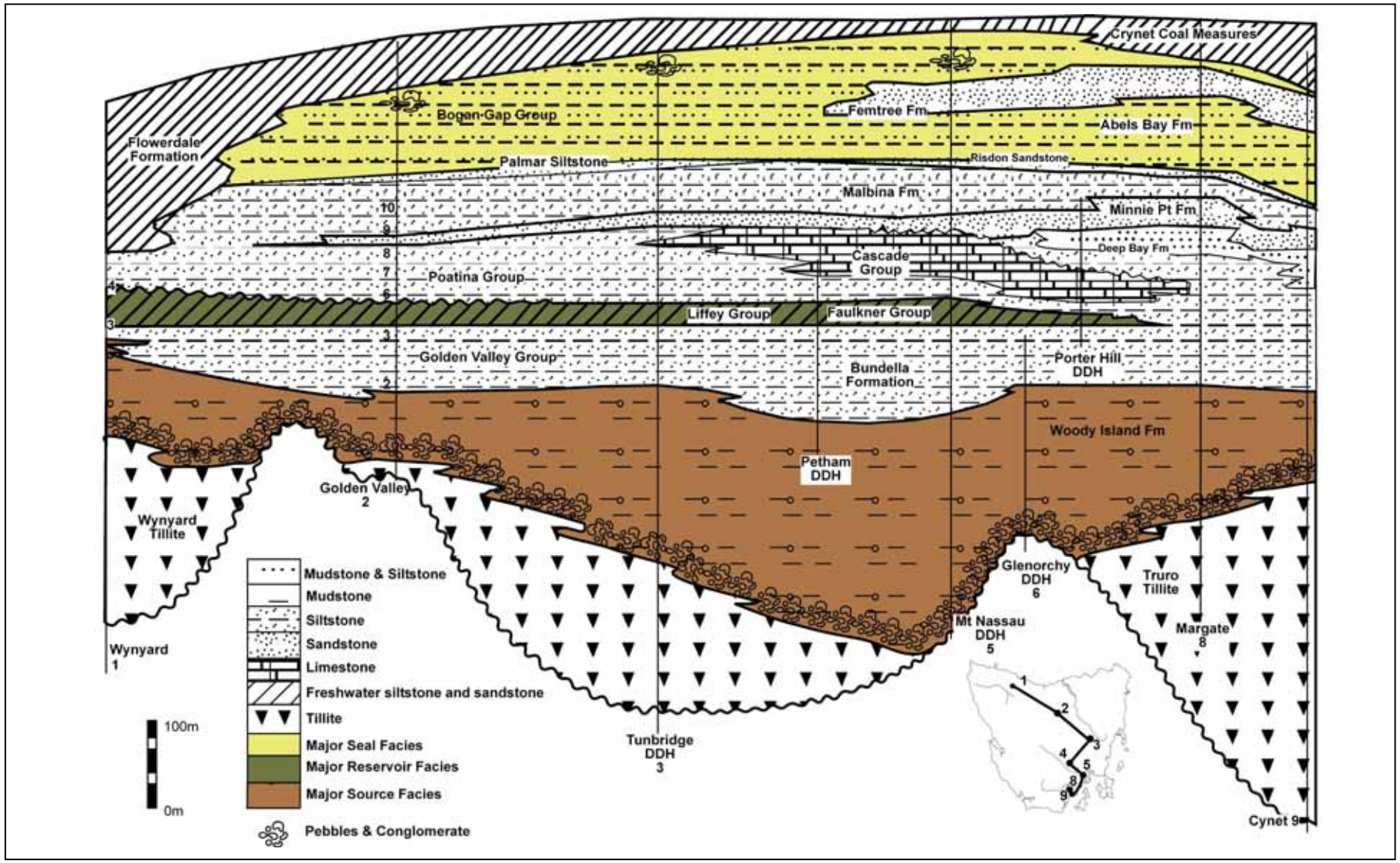

Figure 9 - Time-space diagram of the Lower Parmeener Supergroup (modified from Reid, 2004)

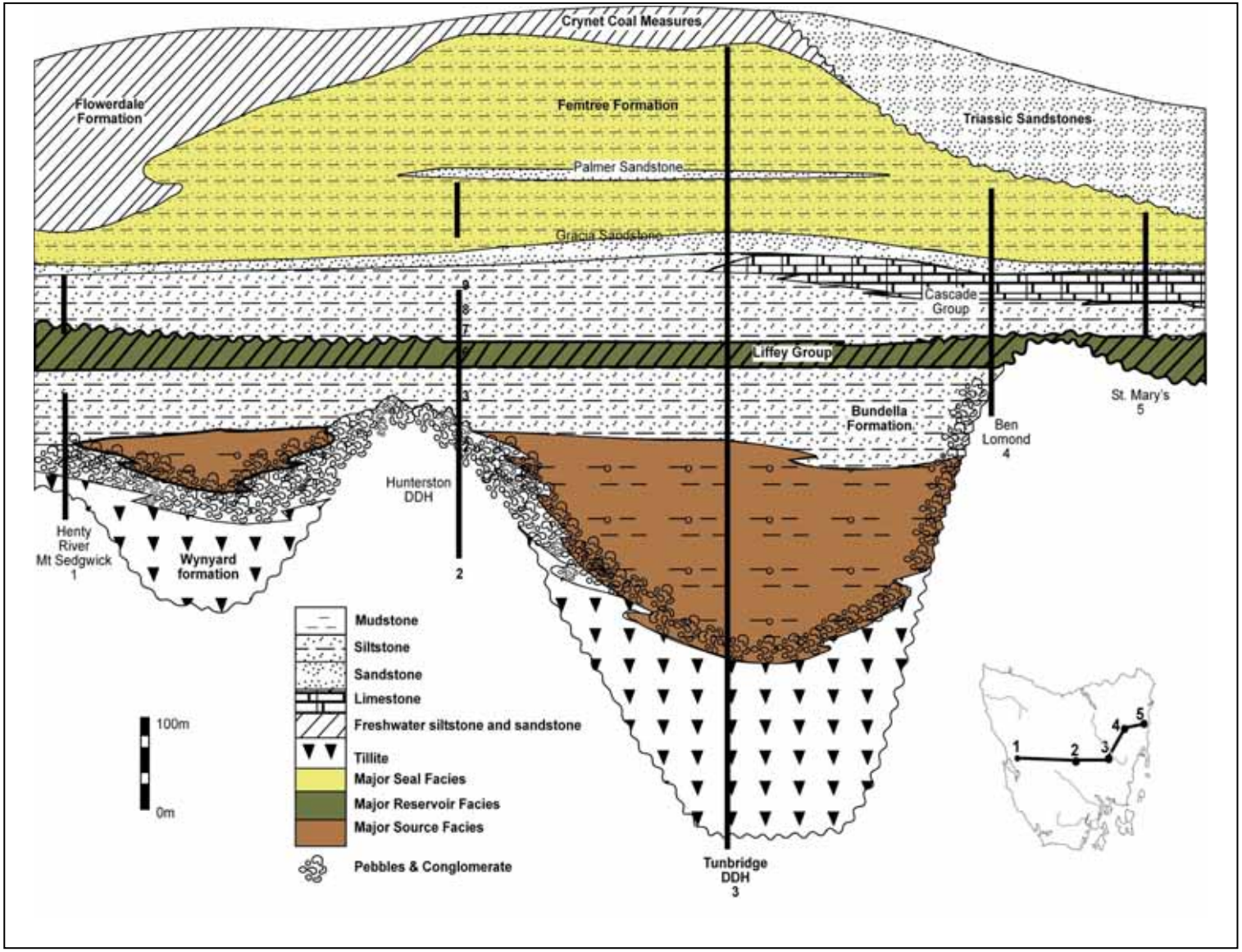

Figure 10 - Time-space diagram of the Lower Parmeener Supergroup (modified from Reid, 2004)

Deposition recommenced in the Carboniferous and the sediments of the Parmeener Supergroup were accumulated (Figure 7, Figure 9 and Figure 10). A flattened stratigraphic section comprised of well and outcrop data, provides an indication of formation thicknesses and depths (Figure 11).

Carboniferous to Permian tillite deposits occur at the base of the supergroup and are widespread throughout the entire basin (Stockers, Wynyard and Truro Tillites, see Figure 7). These are followed by the Woody Island Formation, a 100 to 200 metre thick dark grey monotonous siltstone. In the base of this formation, beds of the alga *Tasmanites punctatus* occur. The Woody Island Formation and the Tasmanite Oil Shale beds are the main potential source rocks and are discussed in Section 3. The distribution of the Woody Island Formation source facies and Tasmanite Oil Shale distribution is shown in Figure 12.

The Woody Island Formation is overlain by the Bundella Formation, a muddy siltstone with little potential as a source rock. These are overlain by the Faulkner Group, consisting of well sorted, laminated, fine to medium sands (Reid and Burrett, 2004). The sandstone beds are generally 6-50 metres thick and modally 21-25 metres and are interbedded with carbonaceous siltstones.

Permian palaeogeography of the Tasmania Basin is presented in Figure 13, and has been modified from Clarke, (1989). The thickness and distribution of the Liffey-Faulkner Group is shown in Figure 14. The facies become more marine to the south, suggesting regression in that direction. Recent work has identified a zero edge near Cygnet, which was established by Mineral Resources Tasmania (MRT) from outcrop and several stratigraphic diamond core holes.

The Liffey-Faulkner Group is overlain by silt/clay marginal marine to marine formations, namely the Malbina and Ferntree Formations.

The terrestrial environment of deposition becomes dominant around the end of the Permian. The Lower Parmeneer Supergroup was deposited from the Late Carboniferous to Late Permian. The Upper Parmeener Supergroup was deposited from the Late Permian to Late Triassic, in a non marine environment (Bacon *et al*, 2000). Within the Late Permian to Late Triassic sequence, four stratigraphic units have been defined (Leaman, 1971, and Forsyth, 1989). The following summary is derived from Bacon *et al,* (2000).

Unit 1 is dominantly felspathic with micaceous sandstones. Thin coal is seen in the south on Bruny Island and at Cygnet and is known as the Cygnet Coal Measures. The entire section is generally 20-108 metres thick and is very thin or absent across the northeast of Tasmania.

Unit 2 is 200 to 300 metres thick and was deposited by a fluvial system which flowed from the north-west to the south-east.

Unit 3 is generally 80 metres thick and consists mainly of sandstones with minor conglomerates and rare thin coals.

Unit 4 is mainly lithic sandstone with minor claystone and contains most of Tasmania's economic coal reserves, located mainly in the north-east.

The Upper Parmeener Supergroup (mainly Triassic in age) appears to be a series of fluvial deposition cycles. There is no major marine influence on this group or in the time following, so a widespread regional seal for these sediments seems unlikely.

In the Early Jurassic, 400 to 600 metre thick intrusions of dolerite were emplaced into the existing Permo-Triassic sequences, essentially parallel to bedding. In any given section of the basin, one to three of these bodies may be present. Outcrop observations indicate that each of these bodies is a composite emplacement consisting of several sheets (Burrett, 1992).

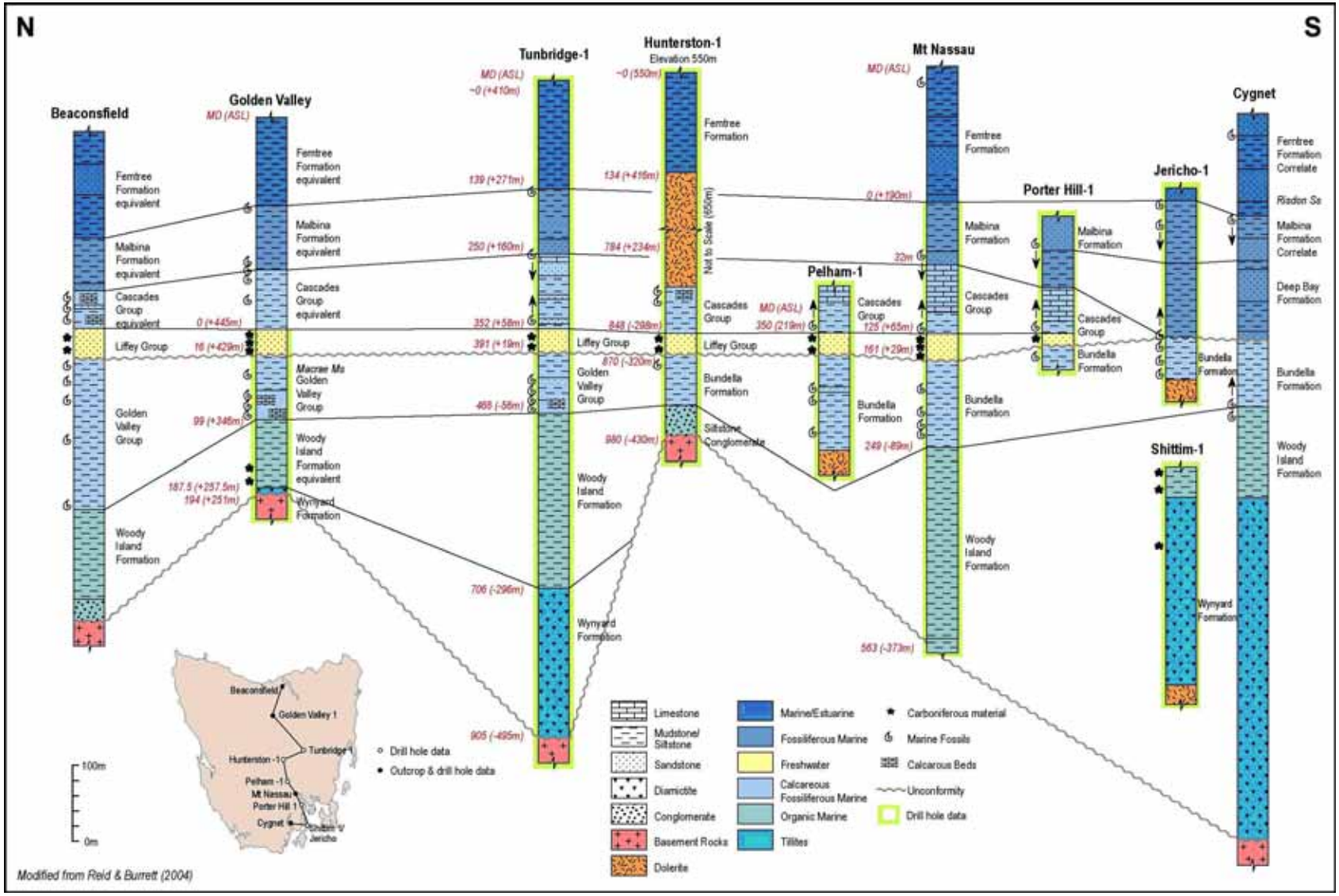

Figure 11 - Stratigraphic cross-section of the Tasmania Basin (modified from Reid and Burrett, 2004)

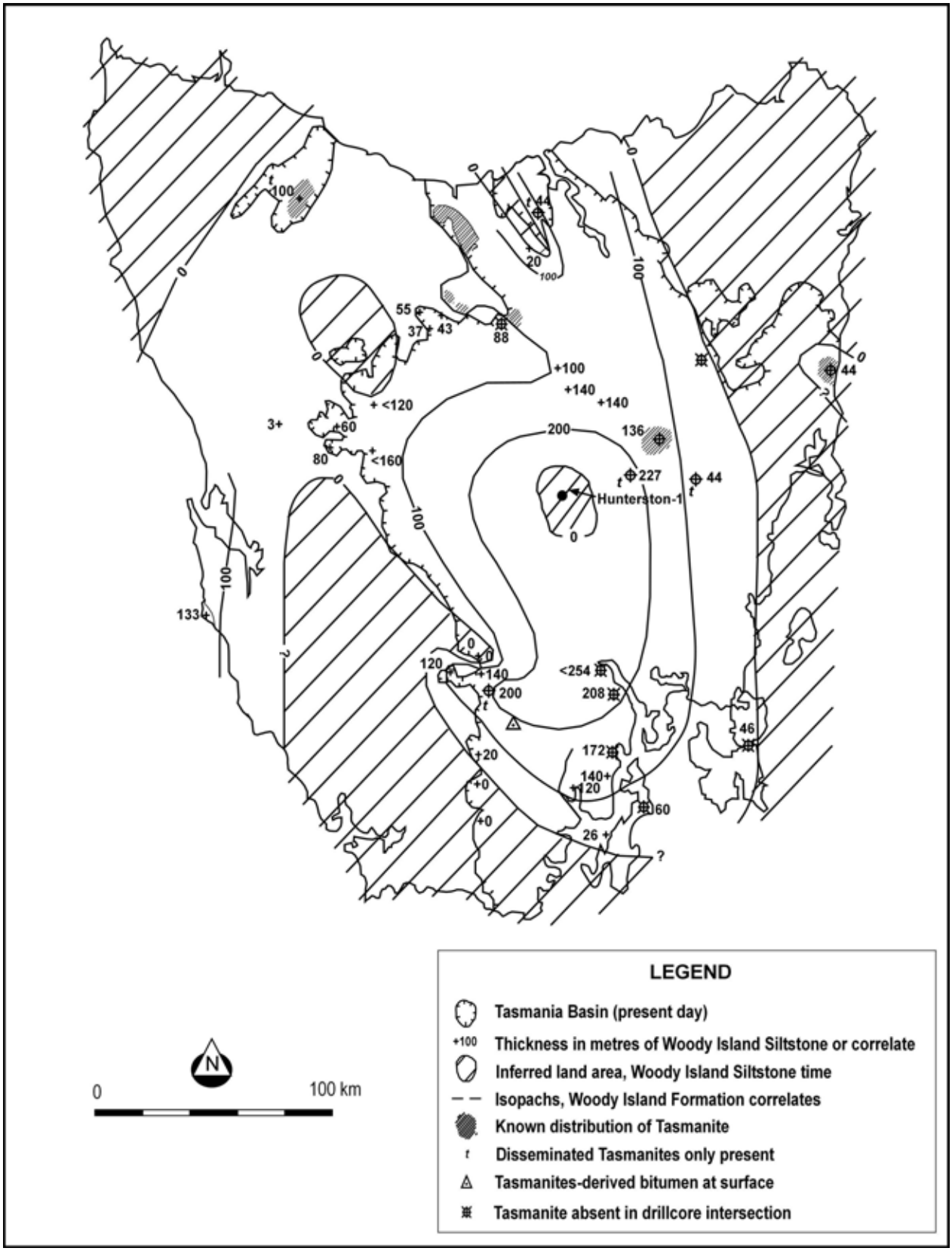

Figure 12 - Known distribution of the Tasmanite Oil Shale with an isopach of the Woody Island Formation (modified from Bacon *et al*, 2000)

The dolerite presents several challenges for petroleum exploration, including the reduction of seismic signal, variations in seismic velocity, hard drilling, localised over-maturation of vitrinite and source rocks and possibly the reduction of reservoir quality.

At the present day, there are no Cretaceous sedimentary rocks in the basin. An apatite fission track study (O'Sullivan and Kohn, 1995) suggests that the basin was uplifted somewhere between 100 and 50 Ma (Late Cretaceous to Early Tertiary) and approximately three to four kilometres of previously deposited Jurassic to Middle Cretaceous rocks were completely eroded. Bacon *et al* (2000) suggests two kilometres of section is more likely, and points out the work of Sutherland (1977) who suggested that zeolites within the Jurassic dolerite indicated a possible burial depth of two kilometres.

Bacon *et al* (2000) suggest that the Mesozoic sediments of the Tasmania Basin were once more widespread. The western margin of the basin is defined by Permian formations truncated by outcrop. This erosion and reduction in basin sediments is inferred to have occurred between Late Cretaceous and Middle Tertiary time.

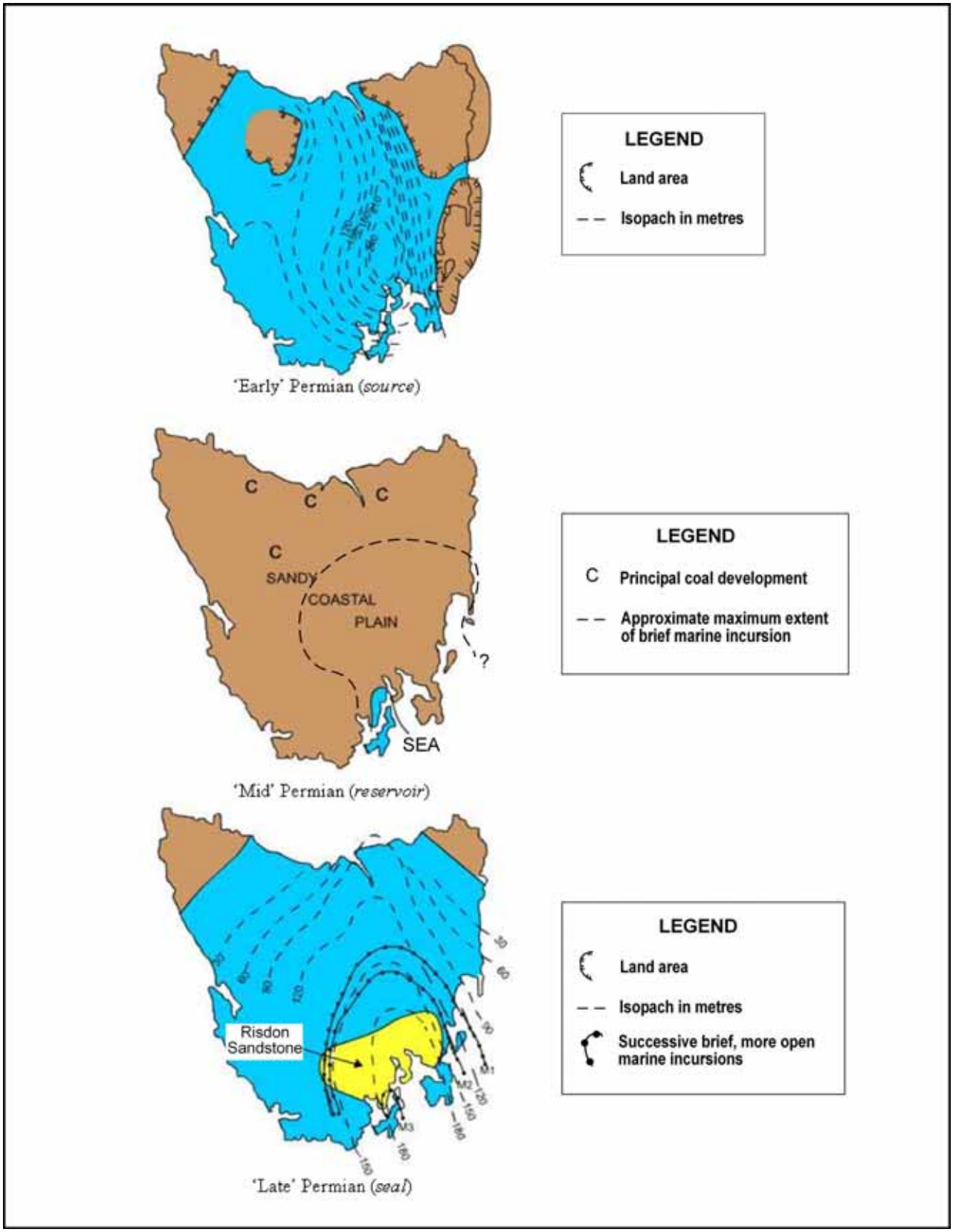

Figure 13 - Permian palaeogeography development of the Tasmania Basin (modified from Clarke, 1989)

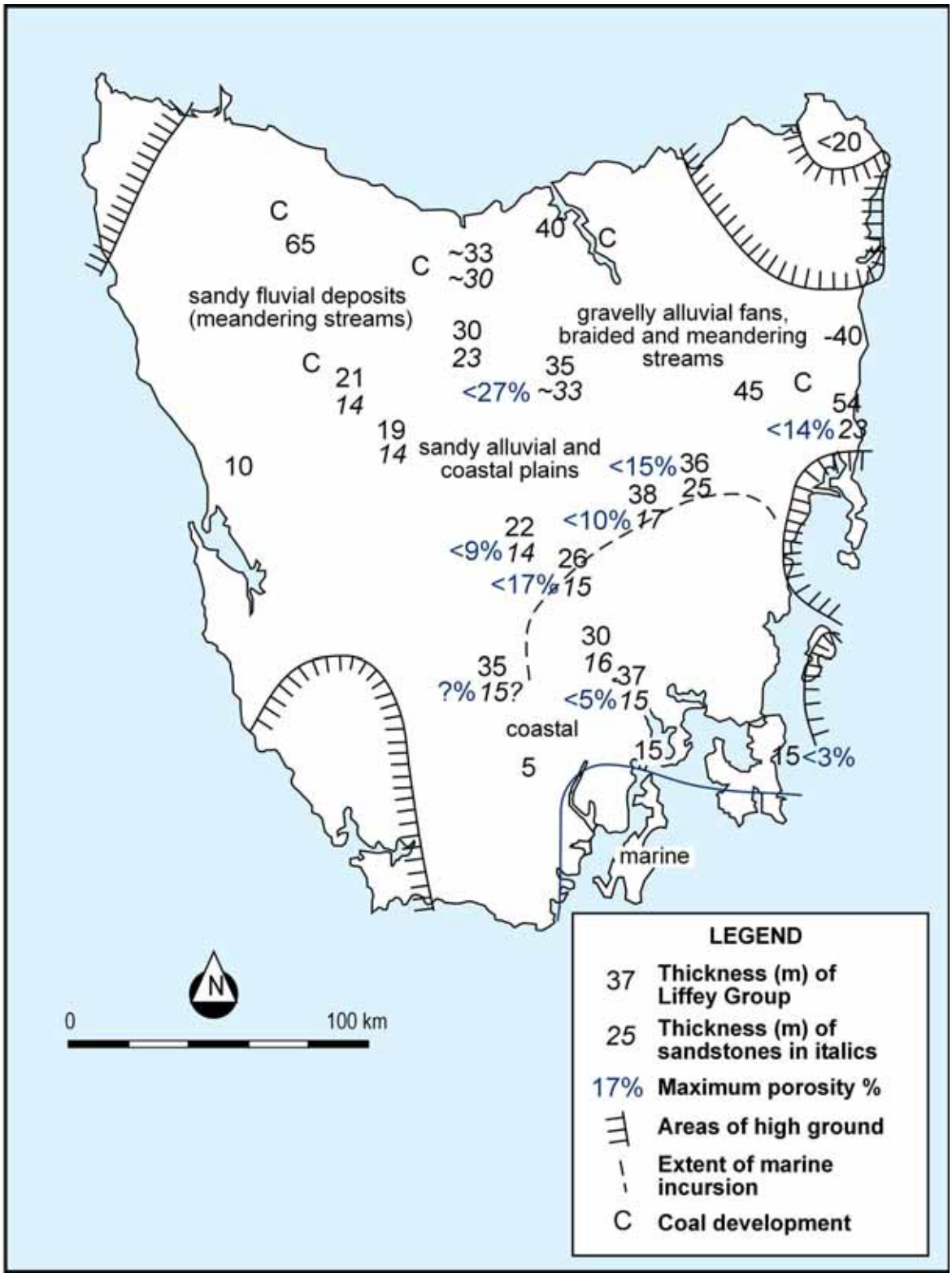

Figure 14 - Thickness and distribution of the Liffey-Faulkner Group. Total thickness of sandstone beds and cycles (black) and some upper porosity values (blue) are also shown (modified from Reid and Burrett, 2004, after Clarke 1989 and Martin and Banks, 1989).

4. PETROLEUM SYSTEM ANALYSIS

To date, there have been no oil or gas fields discovered in the Tasmania Basin although several oil seeps have been reported in Tasmania. Oil seeps can be valuable in signifying the occurrence of mature source rocks in frontier exploration. Currently, the seeps reported in the Tasmania Basin have had limited correlations made to petroleum systems, however, there is a seep in a recently active quarry at Lonnavale, to the southwest of Hobart, that has been correlated with the Permian Tasmanite Oil Shale and is the best indication yet that a significant petroleum system possibly exists in the basin. Two potential petroleum systems could be present. These are the Pre-Carboniferous System (Larapintine) and the Permian System (Gondwana). These two systems are discussed below and schematics are provided in Figure 15 and Figure 16.

4.1 Hydrocarbon Occurrences

Hydrocarbon indications have been reported to the Tasmanian government over the past century. A tabulation of all of these shows and their assessments are provided in Bacon *et al* (2000).

According to Wakefield (2000), over 130 reports of oil and gas seeps have been registered with Mineral Resources Tasmania (MRT). Approximately 10% of these reports have confirmed the presence of naturally occurring hydrocarbons in the form of seeps, tars and bitumens. To date, no bore hole has ever yielded core or cuttings that contained macroscopic hydrocarbon fluorescence although very few wells have been drilled to specifically explore for oil and gas. Of these wells, including those drilled since 1997 by GSLM, none have been drilled on a trap defined by modern seismic.

Mud gas was detected in several of the GSLM wells. Most samples were contaminated with significant amounts of air but, after adjusting for this, levels of C6 up to 50 ppm were detected in Shittim-1 and Jericho-1. Isotopic analysis of the gas at Jericho-1 shows it is thermogenic. Results at Shittim-1 range from biogenic to possible mixed biogenic/thermogenic. However, traces of C3-C9 are encouraging and indicate that there are rocks with the capacity to produce wet gas in the basin.

Low yields of hydrocarbon extracted from a Proterozoic core sample from 1,676 metres in Shittim-1 on Bruny Island and a hydrocarbon extract from a Gordon Group limestone from a quarry were compared by Burrett (1997). The Gordon Group traces are similar in the dominance of n-C18 alkane. The pristane to phytane ratios are reported to be approximately 1 in both (Bacon *et al,* 2000). The Shittim-1 sample seems biodegraded or water washed but, surprisingly, the quarry sample does not appear biodegraded. It has been interpreted that this extracted hydrocarbon probably originated in Ordovician rocks down dip.

Oil and bitumen in Permian sandstone outcrops near Zeehan, Tasmania, have been reported by Cook (2003), who examined samples from these Permian outcrops. One sample of a carbonaceous shale grading to a shaly coal and two sandy samples were thought to have contained possible bitumens. The silty sandstone contained prominent oil inclusions within the sand grains and abundant brightly fluorescing oil, presumably being originally part of the same petroleum system as the bitumens (Cook, 2003).

Cook (2003) also observed that the presence of gas bubbles indicates that the oil to gas ratio of the system was originally relatively high. The Permian sandstones' maturation level is best estimated at 0.7% and may be as high as 0.8% (Cook, 2003) which is consistent with the findings from the previous geochemical reports. Another study by Revill *et al*, (1994), which represented the first organic geochemical comparison of thermally mature and immature Tasmanite Oil Shale samples in relation with a geological evaluation of the sedimentary setting, concluded that at least some deposits of the Tasmanite Oil Shale in Tasmania are near the "oil window".

Rare (< 0.1%) microscopic oil inclusions, in fractures in samples from Hunterston-1, were also observed by Cook (2003). These inclusions apparently appear on fractures through cements in the Liffey Group. They could have emplaced at any point post deposition (i.e. post-Permian). No inclusions have been extracted to determine their source (Reid 2004). An occurrence of oil inclusions < 0.1% does not indicate a breached oil column or migration.

This assessment is based on empirical limits developed by CSIRO in their oil inclusion counting studies GOI™ (Eadington *et al*, 1996). The very low occurrence of inclusions (<0.1%) and the proximity to an intrusion suggests localised maturation of a very small amount of organic matter to the point of expulsion. Oil inclusions of <2% were also observed in the samples of the Liffey Group from Ross-1 where maturity is VR% 0.57 (Reid, 2004).

Rare oil inclusions were also observed in the Liffey Group samples from the Douglas River with a mean maturity of VR% 0.55 (range VR% 0.48-0.64), just barely at the oil window.

4.1.1 The Lonnavale Seep

The hydrocarbon show at the Lonnavale quarry is a bitumen found within joints, in the Jurassic Dolerite. The quarry is based on Jurassic dolerite which has a possible contact with a Permian mudstone, exposed in a nearby quarry, and is known, in other areas of Tasmania, to contain the Tasmanite Oil Shale (Revill, 1996). Geochemical studies were undertaken at the request of Tasmanian Development and Resources (TDR) in 1996. Two samples of possible hydrocarbons were studied. One sample was a swab of what appeared to be hydrocarbon staining and the second was a bitumen from within a fracture in the dolerite.

Seeps were examined at a quarry in Lonnavale (personal observation by P. Vytopil, 2007). The rock is a fractured dolerite, with one section of the quarry showing good oil shows with strong petroliferous odour along the fracture planes. The oil effortlessly smeared when samples were handled and left a dark reddish streak. In areas where samples were not fresh, there was a dark bituminous stain and some samples had a faint odour of H_2S.

The presence of oil shows at Lonnavale has been previously recorded by numerous authors. Bottrill (1996) provides a detailed description of oil shows along two generations of fractures within the dolerite. These factures were filled with calcite and minor globules and flecks of bitumen. The bitumen was dark brown to black, vitreous, soft and sticky on fresh surfaces, as well as hardened and dark on exposed surfaces.

Geochemical analysis indicates that the n-alkane profile from the swab sample is characteristic of a light oil or a petroleum fraction such as diesel. The sample was a stain and had a more liquid character than the bitumen sample taken (Revill, 1996). There are maturity differences between the liquid (oil) and solid (bitumen) although hydrocarbons in both samples share a similar source (Revill, 1996).

Conclusions from the geochemical reports indicate that the seep appears to have been subjected to light biodegradation and the samples taken are likely to have undergone some migration since generation from the source rock. Aromatic maturity indicators indicate that the seep was generated and expelled from a moderately mature source interval (Vitrinite Reflectance (VR_{equiv} = 0.80%) and saturated biomarker maturity indicators support this level of maturity (Wythe and Watson, 1996). Revill (1996) classifies maturity of between 0.57–0.62% for the swab sample and 0.61-0.70% for the bitumen sample.

Revill (1996) states that the source is likely to be a Permian mudstone containing Tasmanite Oil Shale and Wythe and Watson (1996) indicate that the oil seep is likely to have been derived from a mixed algal/terrestrial source containing abundant *Tasmanites* alga that was deposited in an anoxic, marine environment.

The value of VR_{equiv} = 0.80% given by Wythe and Watson (1996) is not anomalous and does fit the regional maturity trend. However, it is still difficult to assess whether this hydrocarbon was expelled as a result of localised heat from dolerite emplacement or from a more widespread burial maturation.

The models put forward by Wythe and Watson (1996) and Revill (1996) suggest that the oil seep consisted of a low sulphur oil derived from a moderately mature *Tasmanite*-rich source rock. The oil then migrated into the late stage dolerite joints when they were open. This can be supported by the data.

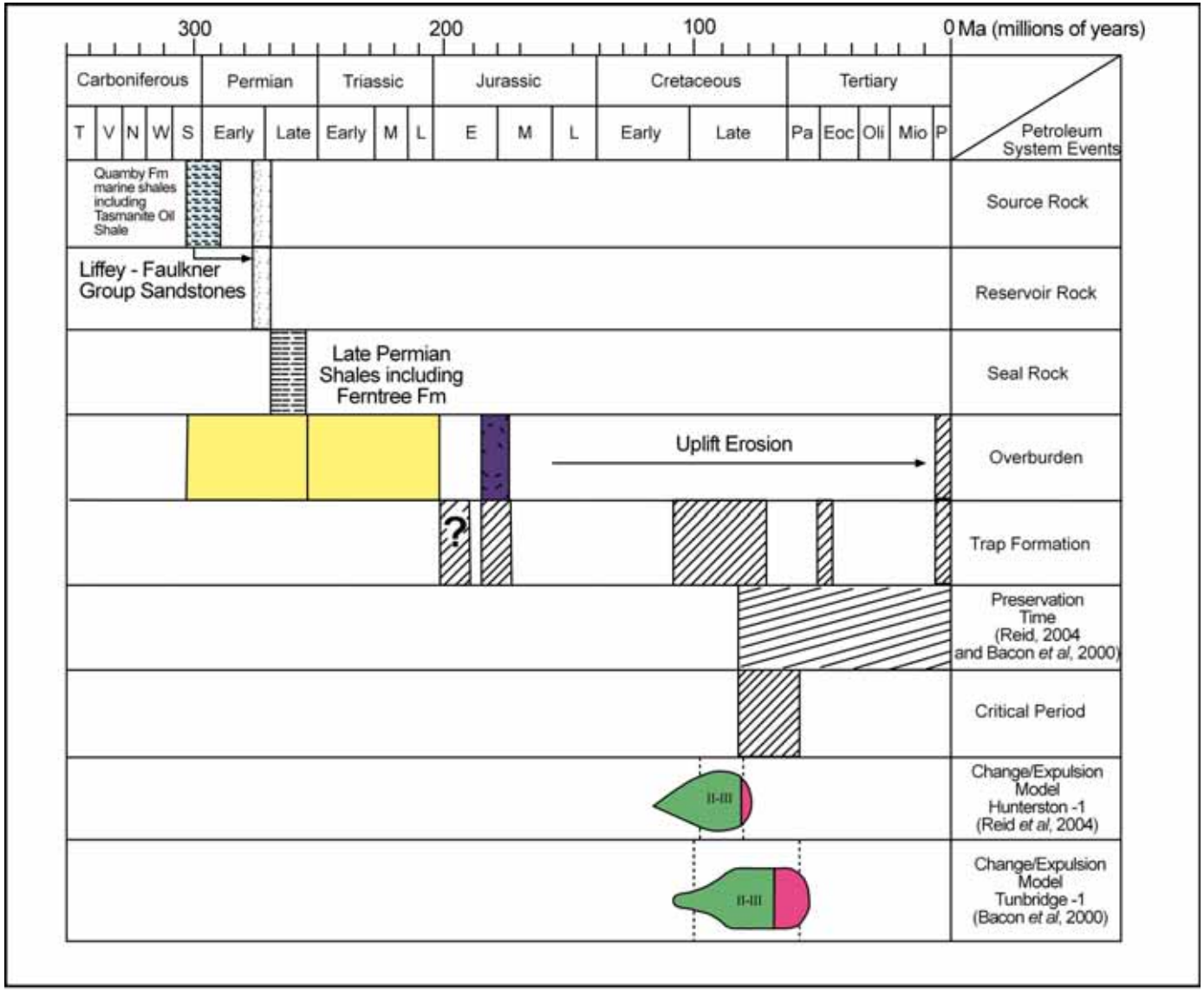

Figure 15 - Hypothetical Permian Petroleum System (modified from Wakefield, 2000)

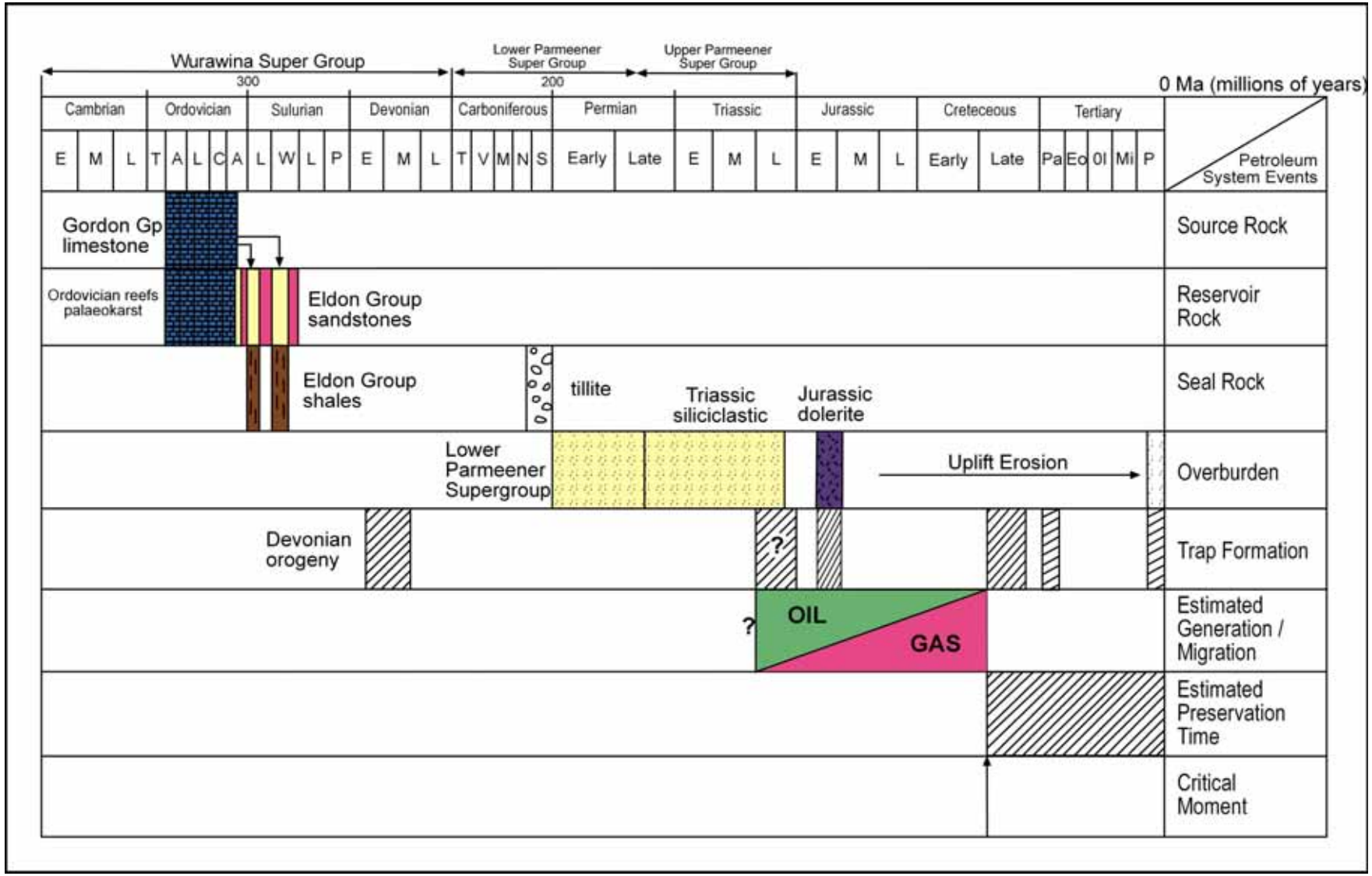

Figure 16 - Hypothetical Pre-Carboniferous Petroleum System (modified from Wakefield, 2000)

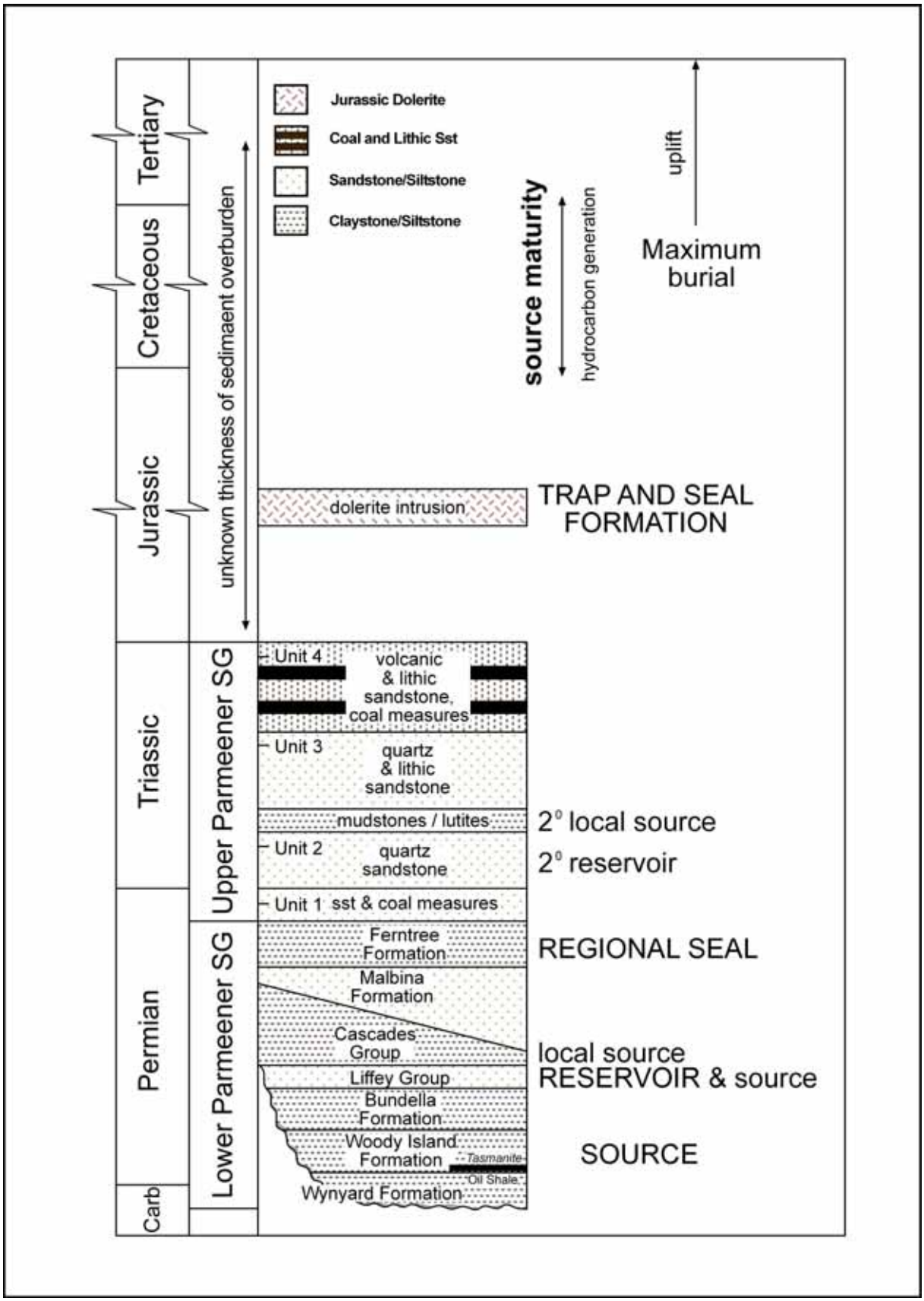

Figure 17 - Stratigraphic model of Permian plays (modified from Reid and Burrett, 2004)

4.2 Source Rocks

4.2.1 Pre-Carboniferous (Larapintine) Source Rocks

The oldest potential source in the Tasmania Basin is Ordovician, however, organic richness data has yet to be adequately verified. Measurements of total organic carbon (TOC) and Rock-Eval (RE) have previously been made on a few samples of limestones within the Gordon Group but these data do not indicate that these limestones have any viable source potential (Reed and Beauchamp, 2001). However, more recent analyses of the shalier Gordon Group facies indicates higher TOC values, some above 1.0%, suggesting the possibility of source rocks in this interval.

Two samples, one from Queenstown and one from Ida Bay (Volkman ,1989; Bendall *et al*, 1991), were analysed and the distribution of n-alkanes was typical of mature hydrocarbons (Bacon *et al*, 2000). Ordovician aged rocks provide a source in other parts of Australia (Amadeus and Canning Basins) and other parts of the world.

Sediments in the Gordon Group are reported to have a petroliferous odour when struck by a hammer, and bituminous films have been seen along stylolites, providing evidence of generation and migration (Chester, 2003). Further occurrences of pyrobitumen have been sighted at road cuttings within and proximal to the limestones east of Queenstown. A sample of upper Gordon Limestone from the Florentine Valley liberated gas on crushing.

Black shales of the Benjamin Formation have poor to good source potential. TOC in these rocks ranged from 0.43 to 1.83 (poor to fair), averaging 0.78%, with 80% of the samples below 1%. T_{max} ranged from 439° to 546° and averaged 490°. Most of these samples (66%) were in the oil window and the remainder were in the gas generation window (Chester, 2003).

4.2.2 Permian (Gondwana) Source Rocks

4.2.3 Early Permian Tasmanite Oil Shale (Basal Woody Island Formation)

The Permian aged Tasmanite Oil Shale is the best known source rock in Tasmania. It has been previously documented as having TOC content ranges from good to very good, containing from 2.5% to over 30% (Burrett and Reid, 2004) and a hydrogen index between 700-1000mgHC/gTOC. These high measurements come from thermally immature sediments and represent the hydrocarbon potential of Tasmanites-rich source rock within Tasmania.

S_1+S_2 levels are high (from 10 to 900 mg/gm of rock) and although these bands are thin they can produce up to 3.7 bbls/m² (Demaison and Huizinga, 1991).

The distribution of the Tasmanite Oil Shale, as known at present, is shown in Figure 12. It is only known to occur in the north and eastern areas of the basin. The Tasmanite Oil Shale was not present in several wells in the south of the Tasmania Basin. It appears that several parts of the basin were sufficiently low in oxygen for some algal beds to be preserved.

The Tasmanite Oil Shale is a rich concentration of alga type kerogens present in the lower part of the Woody Island Formation. The individual algal bands range from 3 to 30 centimetres thick. The Tasmanite Shale was mined in the 1920's and 1930's from immature outcrops in the north of the basin. Various petroleum products were distilled, with a total production of over 1000 bbls of heavy crude with an API averaging 20°.

4.2.4 Early Permian Woody Island Formation Siltstone

The Woody Island Formation is present over a wide area as shown in Figure 12. Most of the Woody Island Formation is a carbonaceous siltstone, deposited in the proximity of retreating glaciers and contains glacial pebble dropstones. The formation has poor to fair source potential with TOC values of 0.5 to 2% and contains Type III gas prone kerogens. Most of the siltstones have a low to fair S_1+S_2 (0.2 to 2) (Reid, 2004).

Organic rich shale show a higher TOC of >2 to over 10, with HI correspondingly higher (Reid and Burrett, 2004).

In Bicheno 10, ten source rock quality samples have been tested. Of the ten samples, three rank as good potential (TOC 1-2 %) Type III source rock, one ranks as good potential Type II/III (TOC 1.72%, HI 300) and one ranks as very good potential Type II (TOC 2.42%, HI 433). Another four samples rank as fair (0.5 -1% TOC) Type III. This implies a mixed gas/oil source with a generally higher proportion of gas-prone source.

It is clear that the basin produced marine organic matter and it was preserved in thin highly concentrated beds, eg. Tasmanite Oil Shale beds. The quality of the Woody Island siltstone at Bicheno 10 and other locations suggest that the basin had favourable conditions for the preservation of other organic matter.

T_{max} for the majority of the Woody Island Formation samples analysed varies from approximately 430°, which is below the oil window, and up to 465° which is well within the oil window. Similarly, vitrinite reflectance is shown to range from Ro=0.55% (marginal) in the north east at Bicheno, to Ro=0.8% at Lonnavale and Ro=1.3% (gas and condensates) at Styx Valley in the southwest (Reid, 2004).

4.2.5 Permian Liffey-Faulkner Group

The Liffey-Faulkner Group is a non marine sequence within the overall marine sequences of the Lower Parmeener Supergroup. It consists of carbonaceous siltstone and sandstones and also includes coal horizons in northern Tasmania.

The carbonaceous siltstones have less than 5% TOC, whereas the coal horizons have up to 65% TOC. The majority of the disseminated organic matter contains Type III kerogens. The disseminated carbonaceous material shows a similar characteristic and level of maturity to the underlying Woody Island Formation. However, the calculated yield from this potential source is three times lower at 0.87 bbls/m², primarily due to the thinner interval (Reid and Burrett, 2004).

A study of the Liffey-Faulkner Group samples from Hunterston-1 showed the presence of total organic matter of 0.22 to 2.9%. Some coal is present. The HI (hydrogen index) is < 78 in all cases, indicating that there is gas potential. As the Liffey-Faulkner Group at Hunterston-1 has been over matured by contact metamorphism and perhaps burial maturation, the full potential of these rocks may not be indicated by these results.

4.2.6 Late Permian to Triassic Coal Measures

The Upper Parmeener Subgroup contains up to 600 metres of fluvial sandstone, including significant coal measures. These include the Cygnet Coal Measures in the northeast, and equivalents (Unit 1), and the Late Triassic lithic sandstones and coal measures (Unit 4).

The Cygnet interval comprises carbonaceous sandstones with interbedded cross-bedded and ripple-laminated channel sands that lie between the underlying Lower Parmeener Supergroup and the overlying massive sandstones of Triassic age. In southern Tasmania, the sandstones are feldspathic and grade into mudstones and thin coal seams. The interval varies in thickness and is restricted in extent, but is reported to be up to 100 metres thick.

The upper most Triassic coal measures are up to 300 metres thick and are dominated by volcanic lithic sandstones and minor claystones. These also contain commercial coal reserves in north-eastern Tasmania.

The following results are extracts from Bedi (2003). Five samples were taken from drill cores from Unit 4. Three were from the northeast of which one was a carbonaceous sandstone (Dalmayne); two were from 2 metre thick coal seams (Mt. Nicholas and Dalmayne) and two samples were of carbonaceous sandstone and siltstone from the south (Catamaran).

The TOC values are good to high ranging from 1.28 and 3.70 to 27.40 in the clastics and 25 and 63 in the coal seams. HI values are generally very low, below 100, but with one of the samples it is up to 188. This indicates Type III kerogens with a dominance of inertinite.

Vitrinite Reflectance from Catamaran, in the south, is in the wet gas to dry gas window ranging from 1.18% to 1.41%. T_{max} values of 523°C and 535°C show that these are over-mature for oil generation.

Vitrinite Reflectance from the samples taken in the northeast have Rv_{max} ranging from 0.59 to 0.93 and the corresponding T_{max} values from 438°C to 491°C. The high valves are from one of the coal samples and represent maturity within the transition from the oil to wet gas window.

4.3 Maturity Indicators and Burial History

In summary, understanding the maturity and expulsion timing of the basin is difficult due to the influence of dolerite on vitrinite maturity, the scarcity of easily identified vitrinite, the mixture of maturity indicators and the apparent major uplift and erosion or "unroofing" across the basin.

4.4 Permian Maturity Indicators

Bacon *et al,* 2000, observe an obvious bimodal distribution in VR data due to the over maturity of many samples due to heat from Jurassic intrusions. Reid (2004) produced a basin-wide maturity map (Figure 18). The main feature of this map is the lower maturity in the north of the basin and the very reliable low maturity in the east at Douglas River. Confidence in the maturity of samples at Hunterson-1 and Styx Valley is qualified due the presence of dolerite at these locations.

4.5 Timing of Maturity

Bacon *et al* (2000), following on from the apatite fission track (AFT) work of O'Sullivan and Kohn (1997) and Sutherland (1977), suggest the maximum burial of the basin occurred just before 100 Ma. This puts useful constraints on any attempt to model the burial history and the maturity of the source rocks.

The burial history was modelled at Tunbridge-1 and Douglas River (Bacon *et al,* 2000) and at Hunterston-1 and the Styx Valley (Reid, 2004). In the Tunbridge-1, Hunterston-1 and Styx Valley models, it was suggested that a peak maturity of 1.2 to 1.3 VR% was reached during the second half of the Cretaceous. In all models, a constant 35 degrees C/km has been assumed from the Permian to the present, for useful simplification. Models presented in Reid *et al* (2004) were described by the author as "best case" and were similar to those in Bacon *et al,* (2000) but indicated a charge later in the Cretaceous. The timing of both models is illustrated in Figure 16.

The fundamental feature of these models is the maximum burial in the Cretaceous, which is constrained by the AFT data. This implies expulsion at around the Middle Cretaceous just before the entire basin began to uplift and perhaps tilt in various directions while expulsion was occurring. This timing implies the risk that hydrocarbons were formed before traps, or before traps were stabilised. However, the uplift may have been very gentle, preserving the existing traps. The very limited structuring of the Carboniferous to Jurassic seems to give support to this idea. Extension in the Middle Tertiary and compression at the close of the Tertiary presents some trap preservation risk. Long preservation times are of course possible in Palaeozoic basins (e.g. Amadeus Basin in Central Australia, and the Appalachian Basin in the USA).

Recent surface heat flow data released from the Tasmanian Geothermal tenement to the east of the SEL13/98 block, suggests that a higher than previously modelled geothermal gradient could exist in Tasmania. Whilst this data may not be directly indicative of the thermal history expected within the central part of Tasmania. It does throw some doubt on the timing

of Permian source rock maturity, and could be encouraging for any late maturation and expulsion. For example Cenozoic deposition in the order of hundreds of metres occurred in the Longford Sub-basin. This deposition combined with the recent high heat flows recorded in eastern Tasmania, could place any immature Permian source rocks back in the oil window.

4.6 Pre-Carboniferous

Not all of the Pre-Carboniferous section in southern Tasmania is over matured at the present day (Burrett, 1992) (Figure 8). However, there is still a risk that Pre-Carboniferous rocks were expelled before the stabilisation of traps during the Tabberabberan Orogeny.

No models of this concept have been made because there was not enough constraining data available. However, we can infer from the burial models of Bacon [illegible] [illegible] (2000) in Figure 19 and Reid (2004) that these rocks (lying some kilometres deeper than the Permian) could have re-entered the oil gas window in the Mesozoic to Cenozoic.

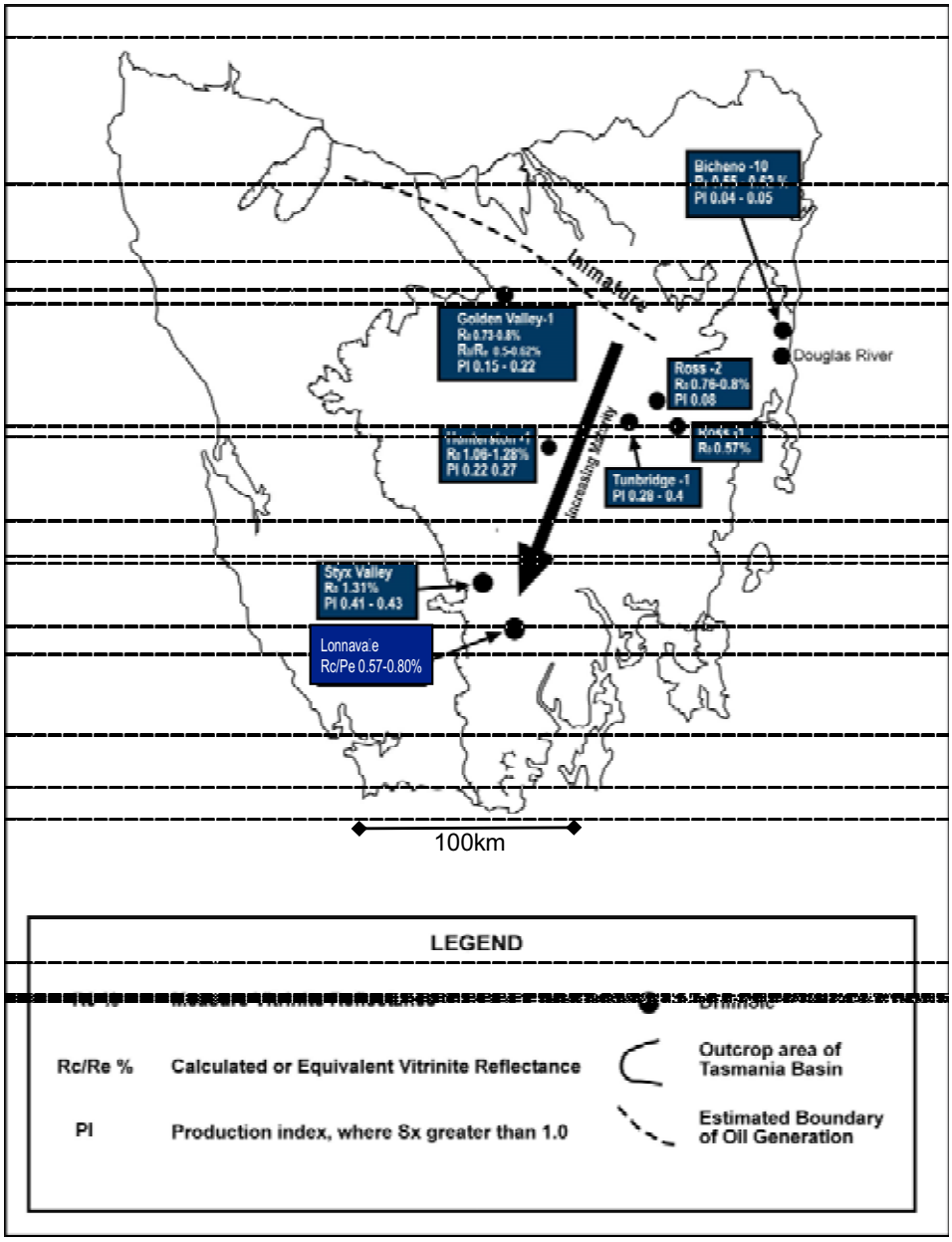

Figure 18 - Maturity of the Lower Parmeener Super-group (modified from Reid, 2004)

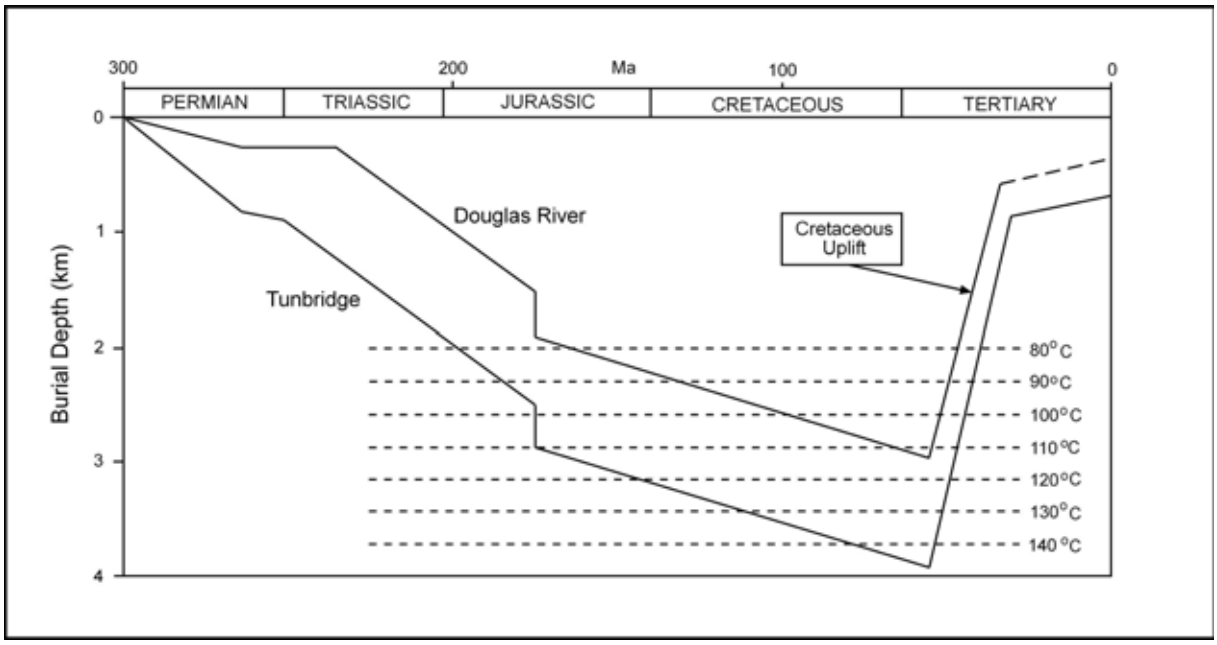

Figure 19 - Burial model modified (from Bacon *et al*, 2000)

4.7 Reservoirs

4.8 Pre-Carboniferous (Larapintine) Reservoirs

The primary reservoirs within the Larapintine Petroleum System are carbonates of the Gordon Group and the Arndell Sandstones of the Tiger Range Group. Leached and dolomitised limestones, as well as reefal and fractured reservoirs could be anticipated but not much is known about these sequences. Likewise, the overlying sandstones of lower Eldon Group are potential reservoirs but to date, no accurately documented information is available (Chester, 2003. P159-160).

Palaeokarst features have been reported within the Gordon Group at various locations including Eugenana, Florentine Valley, Tyenna, Ida Bay, Lake Sydney and Moina. This implies that any Gordon Group limestone sub-aerially exposed before Parmeener Supergroup deposition may also have developed karst features. An Ordovician carbonate reservoir perhaps karstified with cavernous porosity and enhanced with fractures is also a Pre-Carboniferous reservoir possibility. There is no porosity/permeability data on such a rock in the Tasmania Basin. The notion of a karst reservoir preserved “at depth” is speculative at this stage. However, GSLM is proposing to drill one or two wells in 2008 to target the Gordon limestones, which could greatly improve the knowledge of the Pre-Carboniferous.

The Arndell Sandstone conformably overlies the Gordon Group limestone, in the Tiger Range area. The sandstone sequence is approximately 250 metres thick, but is a very fine-grained sandstone with a poor porosity of only 5%.

The expected depths of burial and temperatures in the Pre-Carboniferous section would severely reduce porosity and permeability in any siliciclastic reservoir (e.g. Eldon Group). Given the deformation of the section during the Devonian, it is reasonable to postulate that fractures are present and could enhance reservoir quality and aid hydrocarbon recovery. Recovery from such a reservoir, typically will be less than 25%. Gas recovery would be

much higher. To date, there is no core or log from these intervals "at depth" to support these ideas.

4.9 Permian to Triassic (Gondwana) Reservoirs

4.10 Lower Parmeener Supergroup "Freshwater Facies"

Within the Lower Parmeneer Supergroup, there are a number of sandstone intervals with good reservoir characteristics. These sandstones are considered to be extensive and porosities vary, but can be over 20%.

The potential reservoirs in the Lower Parmeneer Supergroup are summarised in Table 6.

	Formation	Porosity (%)	Thickness (m)	Environment
Lower Parmeener Supergroup	Risdon Sandstone	13.7- 14.7	4 - 8	barrier complex shallow marine shelf.
	Minnie Point Formation	14.1- 16.6	5 – 180	shallow marine shelf
	Rayner Sandstone	3.97	30 – 100	? basal conglomerate
	Liffey / Faulkner Group	12.8 - 27	6 – 50	coastal channel
	Bundella Formation	7.4- 22.3	70 - 135	shallow, marine shelf

Table 6 - Porosity of sandstone units within the Lower Parmeener Supergroup (modified from Woods, 1995)

The Risdon Sandstone is prevalent throughout the study area, with a thickness of usually 4 metres to 8 metres. The Rayner Sandstone and Malbina Formation samples exhibit a relatively immature mineralogy compared to the more porous samples. The Rayner Sandstone is highly bioturbated and poorly sorted in comparison to the very well sorted, channel facies of the Faulkner Group.

The Minnie Point and Malbina Formations are also extensive throughout the south east of the study area, but become much thinner further to the south. Well to moderately sorted sandstone units occur at the base and top of the formation. Porosity varies markedly between sandstone units, which are up to several metres in thickness.

The Permian Liffey/Faulkner Group reservoirs are widespread. The depositional environment of the Liffey/Faulkner Group (Maynard, 1996) includes glacial, fluvial, coastal and marine depositional environments. The section is about 30 metres thick within the basin. In southern Tasmania around Granton, it exceeds 40 metres. In central Tasmania, it is divided into 7 units with a total thickness of 20-35 metres, with varying reservoir porosity (Table 7). Continuity is undetermined and the reservoir potential is poorer for the deeper parts of the basin.

The mature mineralogy of the high energy channel sand facies occurs with coastal plain facies and consists primarily of very well sorted, fine to medium-grained sandstone. Good primary porosity and permeability may be expected. Reid and Burrett (2004) report that porosity for the Liffey Group ranges up to 27%. The sandstones are often laterally extensive

point bars within a braided stream environment. These facies often grade or pinch-out into well consolidated siltstone and shale, thus providing stratigraphic traps for the accumulation of hydrocarbons (North, 1985).

The available permeability data (Reid, 2004), suggests Permian formations are marginal oil reservoirs. In several wells, namely Hunterston-1 and Shittim-1 this may be attributed (in some part) to the influence of intrusions. Petrography at Hunterston-1 indicates the presence of silica overgrowth and secondary carbonate cement. Wells without obvious influence from intrusions on reservoir quality are Ross-1 and Tunbridge-1 (Reid, 2004 and Maynard, 1996). These wells do not show very high permeability. It is very likely that the reservoir is generally poor to fair quality and the presence of dolerite can reduce it even further. The best permeability by far, of 166 mD, is from the far eastern side of the onshore basin at a shallow depth in the Douglas River area. The next highest permeability is 8.8 mD at Ross-1. This suggests that low permeability (1 to 10 mD) is quite likely. Data from Hunterston-1 suggests the presence of intrusions can cause permeability to be below 1 mD. The Permian sequence as sampled does not represent a very effective oil reservoir.

This poor reservoir quality is consistent with the explanation for the AFT measurements that suggest kilometres of overburden were eroded between 100 and 50 Ma. The models of Reid (2004) and Bacon *et al* (2000) suggest the Permian reservoirs were buried to a depth of 4,000 plus kilometres and exposed to temperatures over 100 degrees C for almost 100 Ma. Silica overgrowth occurs at temperatures over 100 degrees C. This aside, there is the risk of direct and/or indirect reduction of reservoir quality by intrusions. There may be a higher risk in areas where carbonates are present in the Ordovician, as a thin section examination of the Liffey Group from Hunterston-1 indicated carbonate cements. The source of this carbonate is thought to be the carbonates intersected in the Precambrian section of the well.

	Unit 1	Unit 2	Unit 3	Unit 4	Unit 5	Unit 6	Unit 7
Lithology	white-grey sandstone	interbedded white-grey sandstone, dark grey mudstone	white-grey sandstone	heavily bioturbated sandstone to mudstone	white-grey sandstone	interbedded white-grey sandstone, and dk grey mudstone	heavily bioturbated sandstone
Composition	qtz (75%), feldspar, mica, clay		qtz (>75%), feldspar mica, clay	qtz (70%), feldspar mica, clay	qtz (>70%), feldspar mica, clay		qtz (70%), feldspar mica, clay
Grain Size	medium to very fine	medium to silt	fine to very fine	medium to very fine	coarse to very fine	medium to silt	medium to very fine
Grain Morphology	sub-angular to sub-rounded		sub-angular to sub-rounded	sub-angular to sub-rounded	sub-angular to sub-rounded		sub-angular to sub-rounded
Sorting	well sorted		well sorted	Mod-poorly sorted	well sorted		Mod-poorly sorted
Framework	close packed		close packed	relatively open	close packed		relatively open
Cement	minor silica		minor silica	minor silica (mainly clay matrix)	minor silica & some carbonate		minor silica (mainly clay 1 matrix)
Porosity	10 -15% (1-5% at Poatina)	variable	2 -5% at Poatina, up to 25% at Ross	9 -27%	10 -25%	variable	5-7%
Thickness	10m (Golden V.) to 1m	1 to 11m	5 to 11 m	3 to 9m	ave 11 m	I to 3m	3 to >7m

Table 7 - Summary of the characteristics of units in the Liffey/Faulker Group reservoirs (modified from Maynard, 1996)

In central Tasmania, the Liffey/Faulkner Group was intersected in several drill holes around central Tasmania near the axis of the Tiers Fault including Golden Valley, Great Lake Tail Race Tunnel, Great Lake Penstock at Poatina, Ross, Tunbridge Tier and Bothwell.

Fissile and non-fissile siltstones comprise the Bundella Formation. These have a consistent thicknesses and the sandstones exhibit fair to good porosity. The Bundella Formation was deposited on a shallow, low energy marine shelf.

4.11 Upper Parmeener Supergroup "Fluvial Sequences"

The Upper Parmeener Supergroup contains up to 600 metres of terrestrial fluvial sandstones. Substantial coal measures occur within Upper Triassic sandstones in the northeast of the basin and the Cygnet Coal Measure of late Permian age.

The Upper Parmeener Supergroup has been divided into four potential reservoir units. The Upper Permian carbonaceous sandstone, Unit 1 (equivalent to Cygnet Coal Measures), is up to 50 metres thick and has poor to moderate porosity (10%) (Bedi, 2003).

The Triassic quartzose sandstone, Unit 2, has the best potential reservoir. It is up to 250 metres thick and has excellent porosity (23%) but only fair permeability (9.8 mD). These quartzose sandstones are characterized by authigenic quartz overgrowths with reduced porosity and lowered permeabilities. The sandstones were deposited in a braid plain environment resulting in thickly bedded clean sandstones, largely free of heterogeneities (Bedi, 2003).

The volcanic lithic sandstones with coal measures, Units 3 and 4 have poor porosity and permeability (0.08mD). Sandstones in these units are characterized by mechanical

compaction and alteration of lithic grains to a clay matrix. The volcanic lithic sandstones were deposited in a meandering fluvial environment resulting in abundant lutite intervals, which may act as seals (Bedi, 2003).

4.12 Seals

4.12.1 Jurassic

By the early Jurassic the Parmeener Supergroup formed in a shallow basin, plunging towards the south-southeast, with some gentle folding in an otherwise sub-horizontal succession (Hergt *et al*, 1989). Large volumes of tholeiitic dolerite intruded as sills into the Tasmanian crust during the Early Jurassic.

The dolerite is exposed over an area of 30,000 square kilometres and has an estimated average thickness of 500 metres (Hergt *et al,* 1989). Most dolerite intrusions have the form of a flattened cone connected to a source or sources at the deepest point. The limbs are concordant or approximately concordant with abrupt transgressions when rising to higher levels (Leaman, 1976). The metamorphic effects resulting from dolerite intrusion are usually confined to within a few metres of the intrusion margin, with the effect being more severe at the roof of the intrusions.

In the Hobart area, two or three dolerite sheets are commonly present. These sheets range from less than one metre to 300-400 metres thick. The thicker sheets in the middle or lower Permian rocks are typically 30 square kilometres in area, while in Triassic rocks, they are more extensive (Leaman, 1975). In contrast, only a single sheet, intruding the Upper Parmeener Supergroup, has been recognized in the northern part of the basin (Central Plateau, Ben Lomond and the Fingal Tier) (Bacon *et al*, 2000). A composite, 650 metre thick dolerite sheet was intersected near the Upper-Lower Parmeener Supergroup boundary in Hunterston-1 (Reid *et al*, 2003). From the interpreted seismic this sheet appears to cover many hundreds of square kilometres.

There is limited well data, fault and fracture information at depth to ascertain whether the dolerite can be classed as a regional seal. At depth, in areas away from major faults where significant fractures are not expected and the dolerite is tight, it would be considered to be a reasonable seal. Jurassic dolerite intrusive sheets can also be classed as effective seals based on their very high velocity of approximately 6500 m/s.

4.12.2 Permian

There is no quantitative seal data, such as Mercury Capillary Injection Pressure (MCIP), for any formation. Bacon *et al* (2000) observed that “muddy lithologies” dominate the Lower Parmeener Group. The Liffey Group is generally described as a non-marine sand in a dominantly muddy marine section. This implies a basin-wide low stand event. In a study of Liffey Group cores, Maynard (1996) interpreted inter-bedded sandstone and silt/mudstone.

Intra-formational seals are likely to be present. Like any intra-formational seal in a fluvial section, it is moderately high-risk due to limited lateral extent. The Malbina and Cascades Group Formations are also marine mudstone formations (Figure 7 and Figure 17). Potential seal units occur above the Liffey Group sandstones as siltstone in the lower part of the Cascades Group as 1-5 centimetre thick volcanic ash layers within this group (Burrett and Reid, 2004).

These Permian formations are not homogeneous and there is the possibility they are waste zones (non-commercial, extremely low permeability reservoirs). The potential for waste zones could not be assessed from the current data available. The Ferntree Formation is the result of widespread marine conditions that mark the top of the Lower Parmeener Group. It is not composed of a highly plastic clay but it seems to be a reasonable candidate for a regional seal. Unfortunately, it does not directly overlie the targeted Liffey Group (Figure 17).

4.12.3 Pre-Carboniferous

Currently, there is no quantitative data on seal quality. In deformed Palaeozoic rocks such as these, it is expected that permeability will be quite low in general.

Effective fine-grained seal lithologies are possible in the marine Gordon Group limestones. As discussed previously, some form of intra-formational seal would need to be invoked in the Tiger Range Group for the Eldon Formation.

Early Permian Tillites were widely deposited on the Devonian unconformity of the Tabberabberan Orogeny. If a Mesozoic to Cenozoic charge from hypothetical Ordovician sources is supposed, the Stockers Tillite could provide a seal to sub unconformity traps.

4.13 Play Types

Two main plays have been identified in the Tasmania Basin. These are the Permian/Triassic/ Cenozoic sections and the Pre–Carboniferous.

The Pre-Carboniferous Play is an untested concept. There are few boreholes that have intersected more than a few hundred metres past the Base Permian Unconformity. The seismic resolution is poor and the structural styles are complex at this level. Reservoirs would probably rely on fracture porosity to be present to enhance either the Eldon Group sandstone or karstified Ordovician limestones. The potential source rocks would be Ordovician algal-rich sediments, capable of producing oil and gas, however depth of burial and subsequent erosion is unclear.

The play elements of the Permian Play are better defined. The section seems to be quite unstructured in a regional sense and bedding has quite low dips. This lack of structure supports the idea that the regional Cretaceous uplift was gentle, thus preserving any hydrocarbon accumulations existing at the time. However, the basin is quite flat-lying, so identifying the location of a high confidence closure on the existing sparse 2D seismic data in the post unconformity sections is quite difficult.

Normal faults are more prominent in the Longford Sub-basin. These could represent Cenozoic extension which post dates the expected Mid Cretaceous charge event. Regardless of this issue, the visible faults run right to the surface, indicating recent movement, and suggesting that the fault dependent closures have a risk of being breached. These sections have a high percentage of shales, so shale smear is possible to create a fault seal. Some of these normal faults have undergone a reverse re-activation during Late Cenozoic wrench movement. However, the timing of trap formation and possible hydrocarbon expulsion would still be an issue.

A potential Triassic play has been proposed by Reid (2004) (Figure 17). There is no porosity, permeability or seal integrity data published. Coals are proposed as the source. There is minor coal which is stratigraphically low in the Upper Parmeener Group (Cygnet and Adventure Bay Coal Measures) occurring in the south-eastern, western and northern edges of the basin (Anon, 2005). The Coal Measures generally contain two seals less than 1 metre thick, with ash contents of 25 to 30% (Anon, 2005). The invoking of a wide spread "lutite" seal in the Mid Upper Parmeener (Figure 16) seems to be difficult to justify in a supergroup which consists of four cycles of fluvial to minor swamp deposition.

The best developed coal by far is at the top of the Triassic (Anon, 2005 and Bacon *et al*, 2000), making charge and seal problematic (Figure 16). As noted earlier, if the Ferntree Formation is an effective regional seal, then Permian charge will not reach the Triassic. A Triassic play would rely on fluvial intra-formational seals with their intrinsic risk.

Stratigraphic plays and traps are a theoretical possibility at any level but pursuit of them is impractical, given the limited 2D seismic coverage and variable seismic image quality.

Larger scale stratigraphic plays/traps (i.e. zero edge traps) are limited. The southern zero edge of the Liffey/Faulkner Group has been defined by MRT to be in the Cygnet area. It appears that no indications of hydrocarbons were located in any of the several bore holes

drilled. The zero edge of the Liffey Group is eroded in the west and probably in the east. The proximal portion of the Liffey Group in the north of the basin does not present a viable zero edge play, being very likely to have poor top seal. Once again, such plays are inherently high risk, and require a very sharp transition from reservoir to good seal rock. Helium was detected in the Jericho-1 and Shittim-1 wells. There is no known structure at either of these wells. It is assumed this gas has made its way, along with hydrocarbon gases, from Pre-Carboniferous rocks down dip.

4.14 Petroleum Prospectivity

Seismic coverage is approximately 1300 kilometres of 2D data (TB01-2001; 775 km, TB02-2006; 175 km and TB02-2007 345km). To date, only stratigraphic tests and mineral holes have been drilled in the Tasmania Basin. Drilling between 1997 and 2001 was conducted by GSLM using diamond coring mineral exploration rigs to establish stratigraphy. No borehole has been drilled on a seismically defined structure.

Following integration of the 2007 gravity and seismic data into the existing database, GSLM have identified more than 15 potential drill sites targeting prospects and leads of various sizes. To date, interpretation of all the acquired seismic data has identified several fault block traps and anticlines with shallow targets in the Gondwana Petroleum System and deeper targets have been identified in the Larapintine Petroleum System. These are mainly Ordovician anticlinal structures in the Central Highlands. A total of twelve targets have been selected and evaluated within this report and are shown in Figure 20. A drilling program of the primary targets is planned by GSLM.

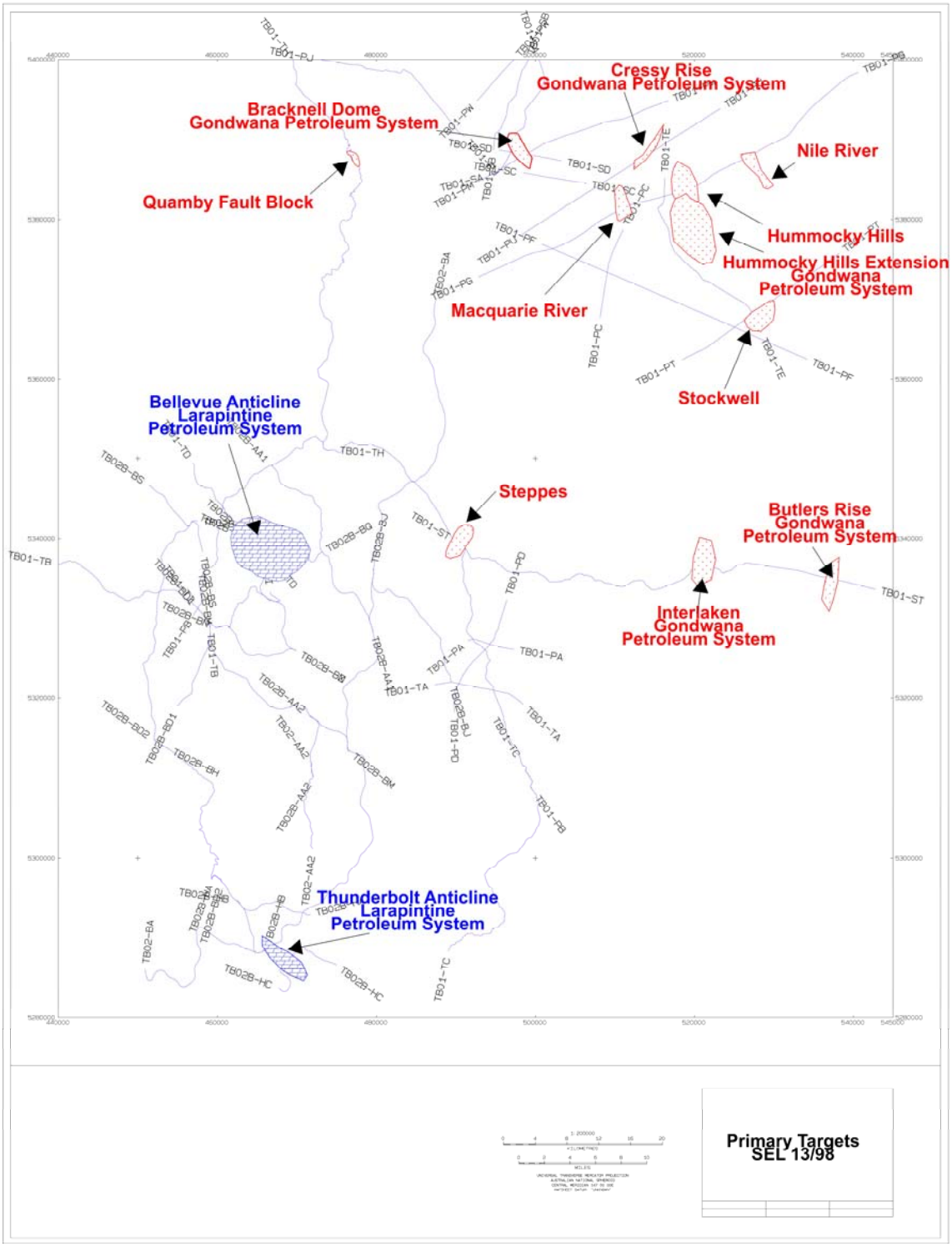

Figure 20 - Primary Targets Block SEL98

All resources are classified as Prospective Resources under the SPE/WPC/AAPG/SPEE resources classification system (Figure 21) taken from the Petroleum Resources Management System document (2007).

The risking has been calculated using a play risk and a prospect specific risk.

The play risk pertains to essential conditions (Reservoir, Seal, and source/maturity/migration timing) existing within the basin as a whole. Two play type risks have been calculated. These are the Pre-Carboniferous and the Post-Permian unconformity sequences.

The prospect specific risk is based on individual risks pertaining to the specific trap definition, reservoir, charge/migration and seal competence and is dependent on the play working.

The overall geological Chance of Success (COS) is the product of the play and the prospect specific risk.

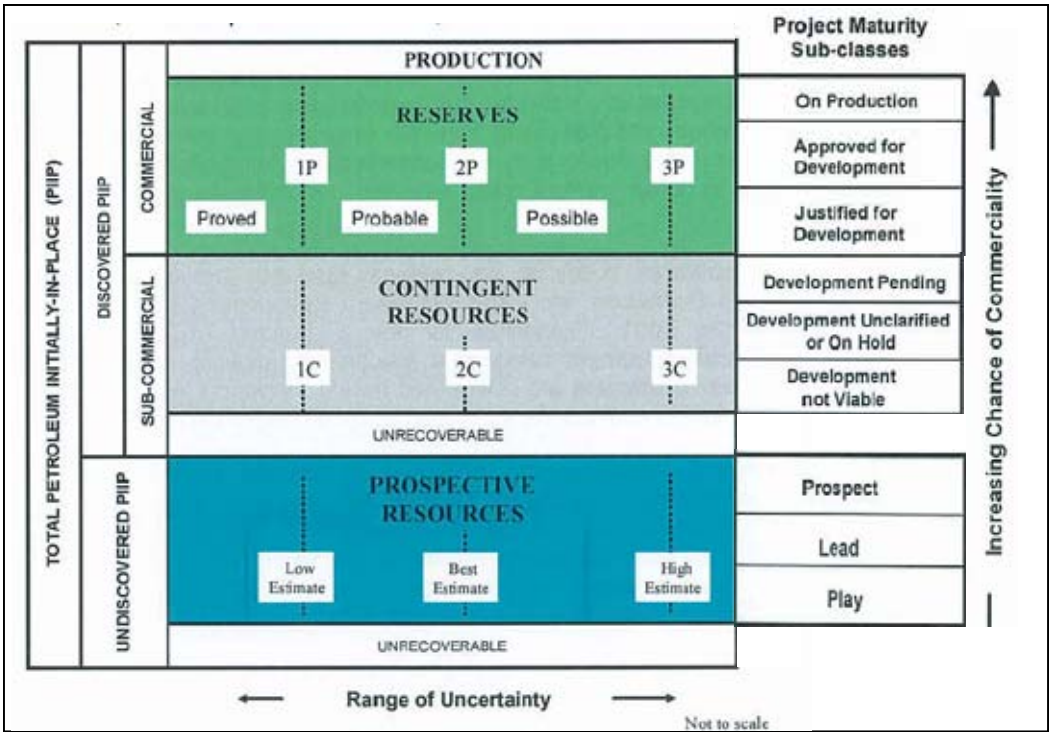

Figure 21 - SPE/WPC/AAPG/SPEE Resources Classification System

5. SEL 13/98 PROSPECT AND LEAD VOLUMETRICS AND RISK ANALYSIS

5.1 Bellevue Prospect

The Bellevue Prospect is located in the Central Plateau in central Tasmania (Figure 22). It is constrained by five 2D lines. Mapping of the upper and lower limestone units is shown in Figure 23 and Figure 24, respectively.

The approximate depth from the surface to the crest of the upper limestone unit is 2,200 metres with the lower unit crest at approximately 3,350 metres.

The gross structure is interpreted as a large compressional fold caused by a deep seated detachment. Figure 25, Figure 26 and Figure 27 show seismic examples through the Bellevue anticline.

Two potential reservoirs have been mapped with 4-way closure. As no well control exists at these levels, the interpretation of the potential reservoirs are based on seismic character.

Silurian-Devonian, Triassic and Permian reservoirs are also possible at this location and should be considered as an upside potential, however, mapping of the structural closure at these shallower levels is not possible on the current data set.

The volumes of unrisked oil for each level are presented in Table 8 and Table 9, with the full volumetric inputs presented in Appendix B
The chances of success for each level of the Bellevue Feature is presented in Table 10.

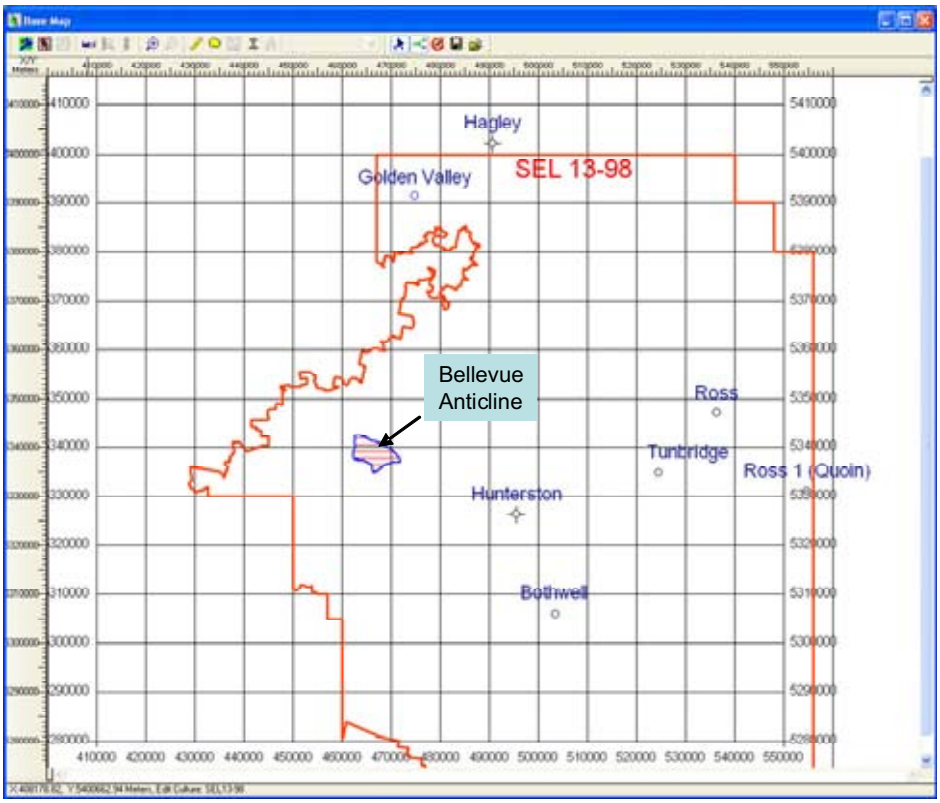

Figure 22 - Bellevue Anticline Location

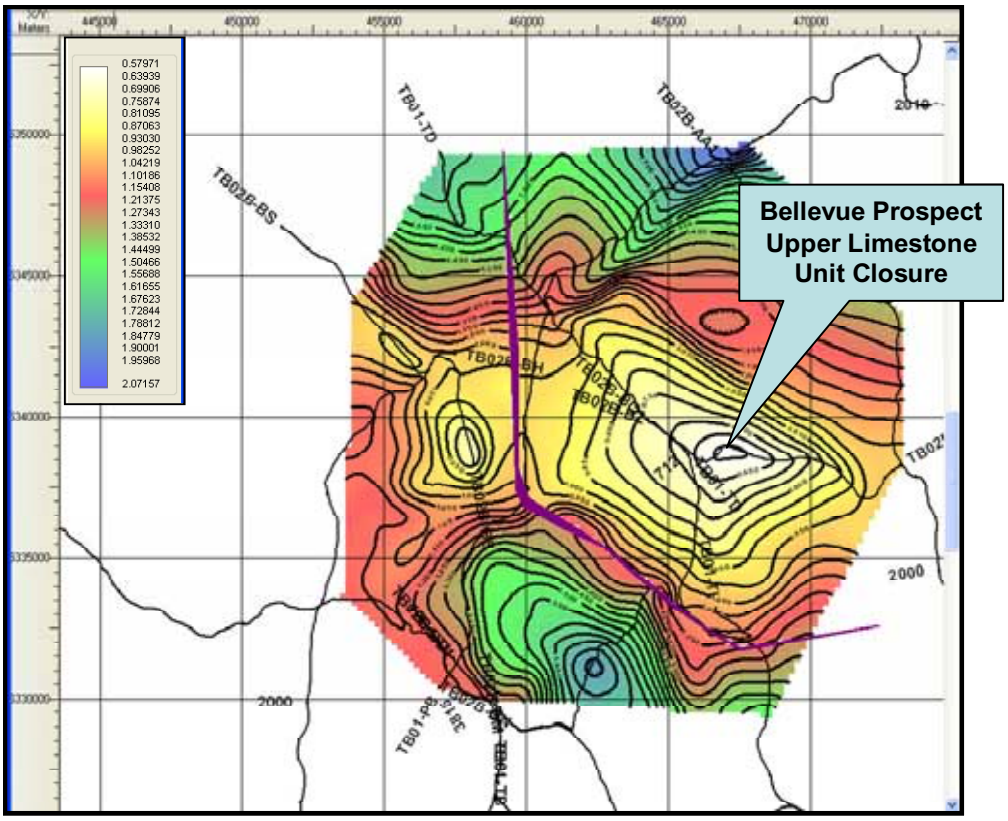

Figure 23 – Bellevue Prospect : Upper Limestone Unit Two way Time Map

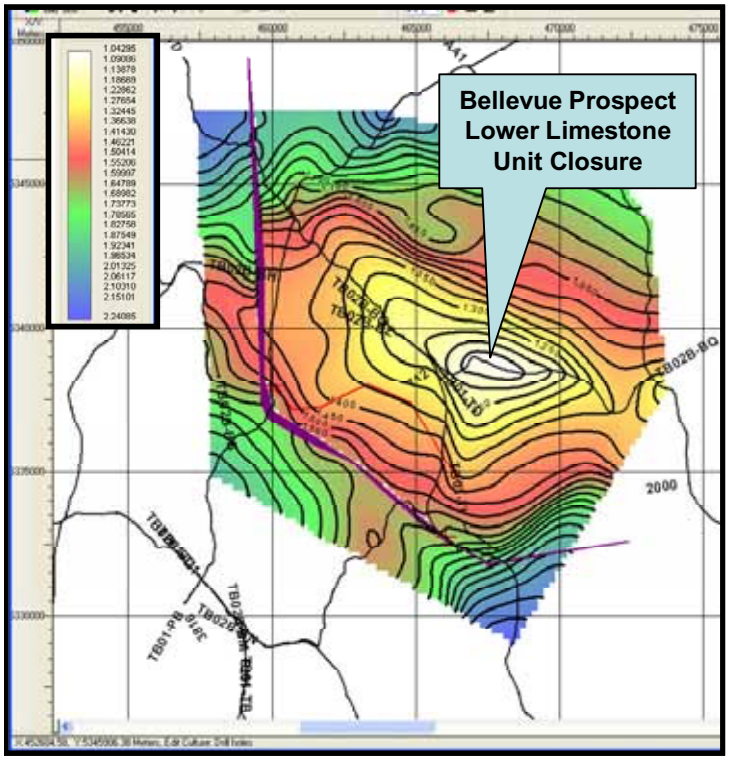

Figure 24 - Bellevue Prospect : Lower Limestone Unit Two way Time Map

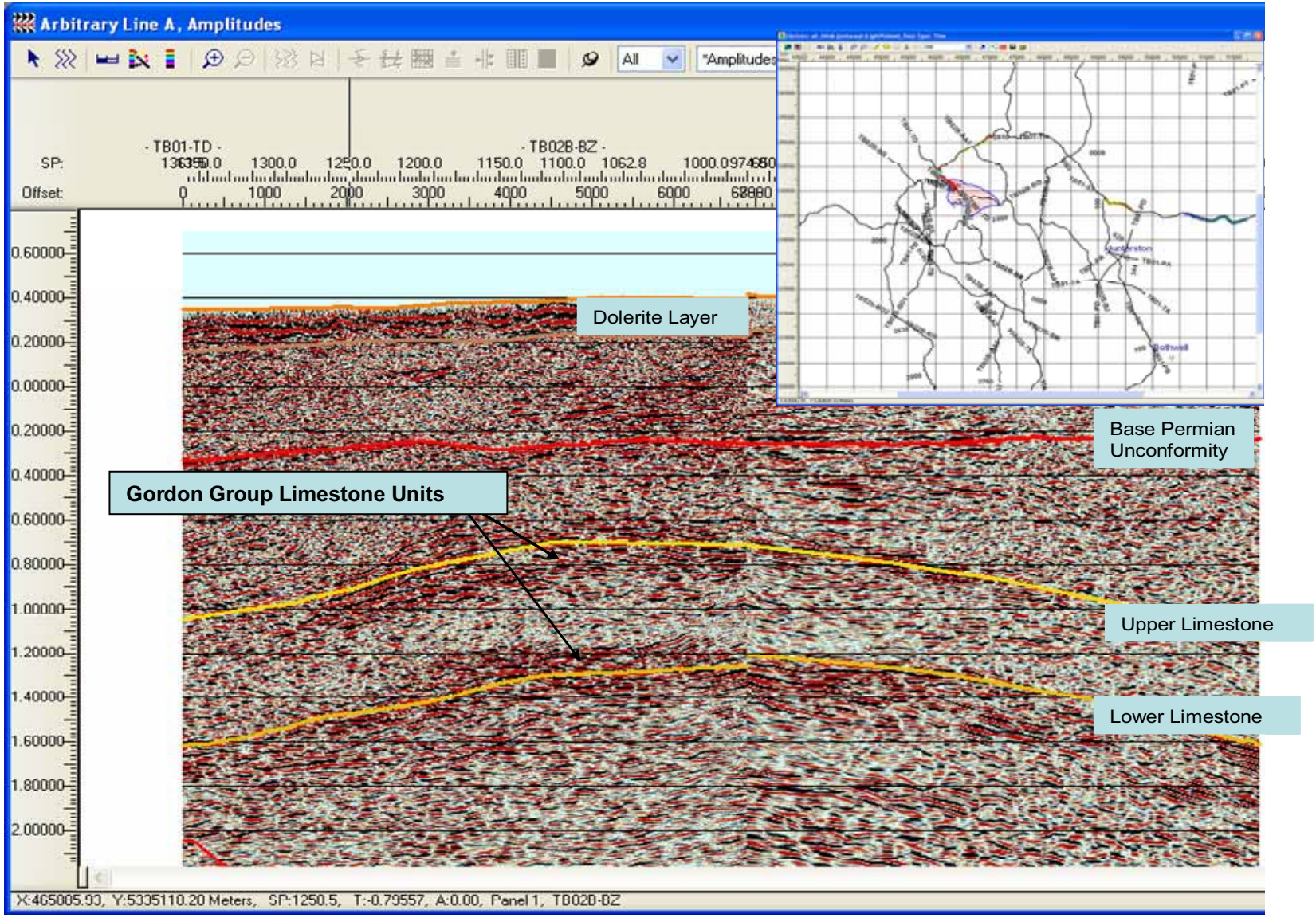

Figure 25 – Arbitrary Line North-South through Bellevue anticline

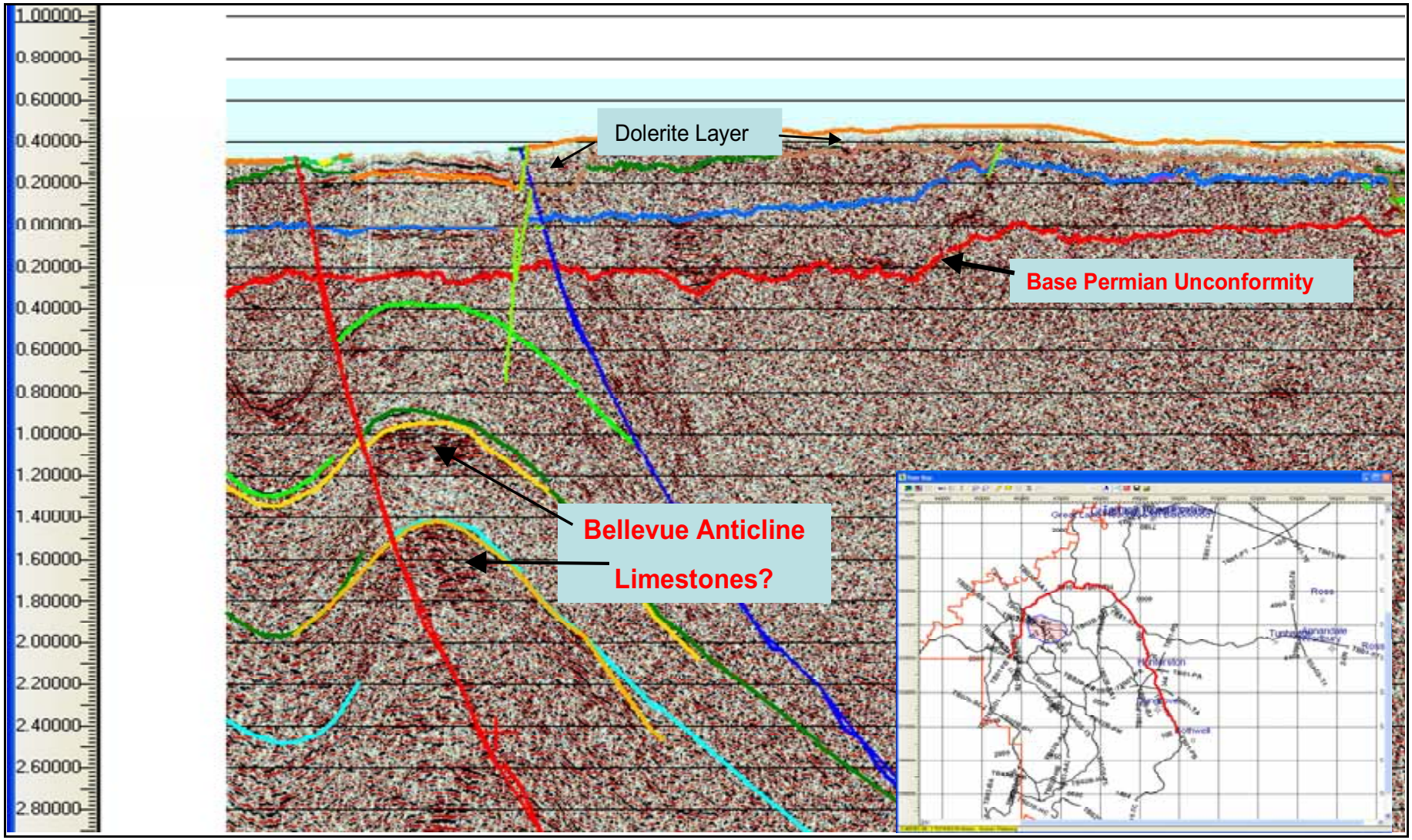

Figure 26 - Seismic line TB01-PB through the Bellevue anticline, North of Closure

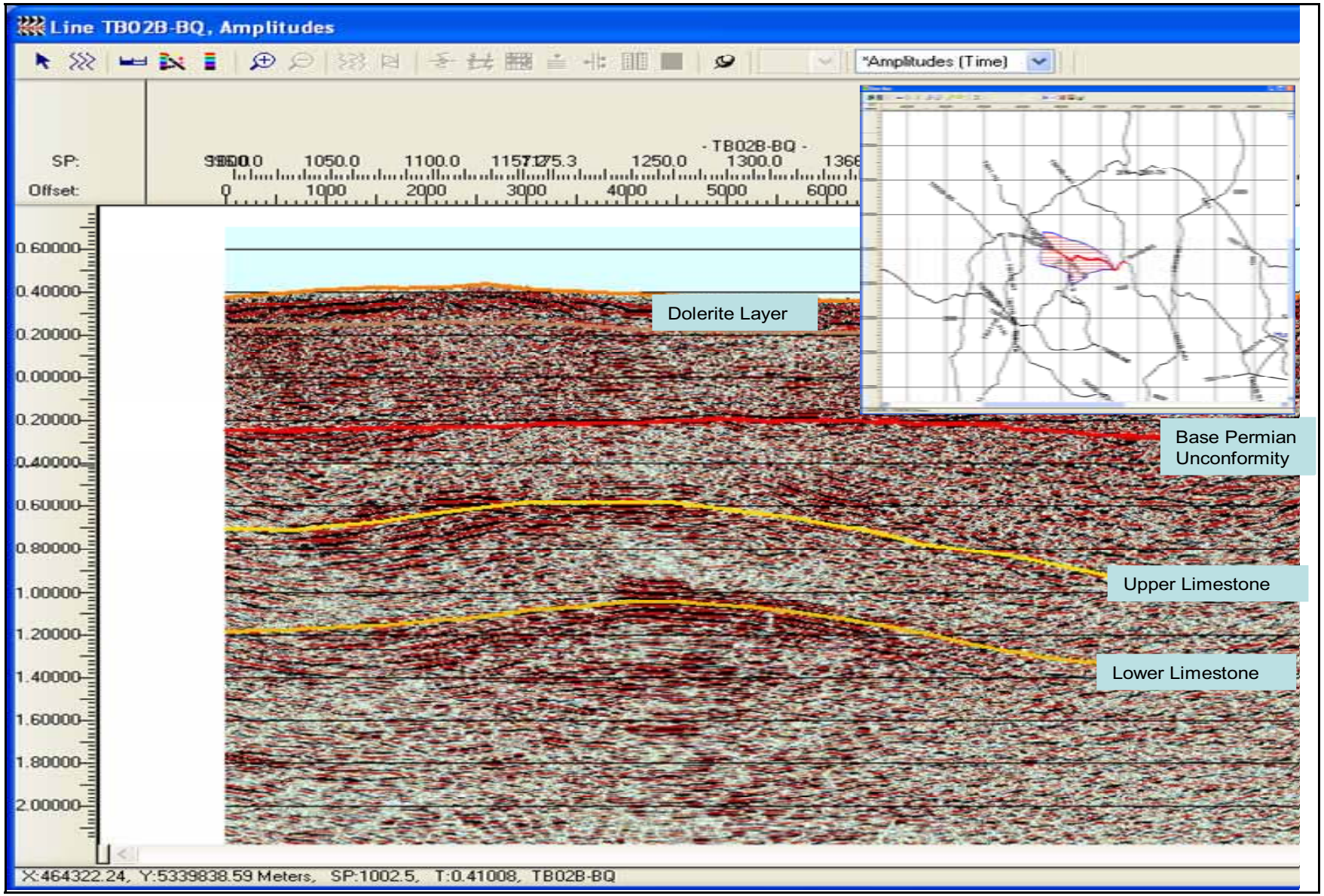

Figure 27 – Seismic line TB02b-BQ through the Bellevue Anticline

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	160	587	1732	808
Prospective Resource (MMbbls)	38	151	484	220

Table 8 - Unrisked oil volumes of Upper Unit of the Bellevue Prospect

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	100	368	1094	510
Prospective Resource (MMbbls)	24	95	307	139

Table 9 - Unrisked oil volumes of Lower Unit of the Bellevue Prospect

Play Chance	Percent
Reservoir	48
Seal	100
Source / Migration	25
Play Chance Total	12
Prospect Specific Chance	**Percent**
Trap	70
Charge	80
Reservoir	60
Seal	50
Prospect Specific Chance Total	17
Overall Chance of Success	**2.0**

Table 10 - Chance of success of the Bellevue Prospect

5.2 Hummocky Hills Lead

The Hummocky Hills Lead is located in the northern part of the block (Figure 28). The lead is defined on one 2D seismic line, (Figure 29). This line depicts an Early Cenozoic rotated fault block, possibly forming an up-thrown fault closure. The potential reservoirs are within the Triassic and Permian, namely Unit2, Unit1, Palmer Sandstone, Garcia Sandstone and Liffey Group. The surface geology suggests that the rotated fault block may also be present below the outcropping dolerites of the Hummocky Hills, (Figure 30). It is unclear if the Dolerite section thickens towards the Hummocky Hills outcrop or is conformal to the underlying reservoir units. If the dolerite is a consistent thickness then the crest of the lead could be under the present day topographical high and make the structure relatively large. It is likely that forward modeling of the gravity data or further seismic acquisition over the main outcrop could refine the structure.

The volumes of unrisked oil based on the likely size and geometry of the trap are presented in Table 11, with the full volumetric inputs presented in Appendix B
The chances of success for the Hummocky Hills Lead is presented in Table 12.

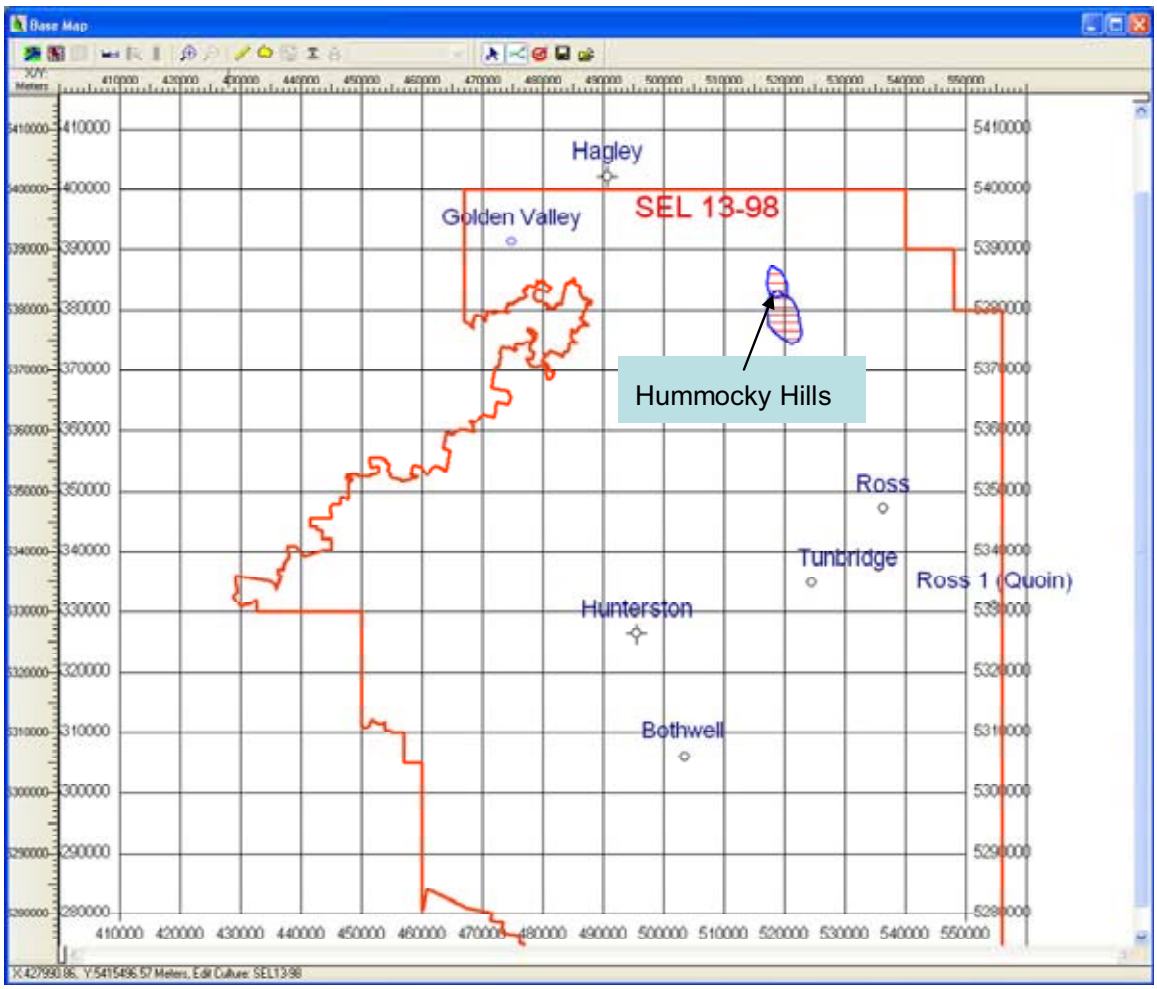

Figure 28 - Hummocky Hills Location

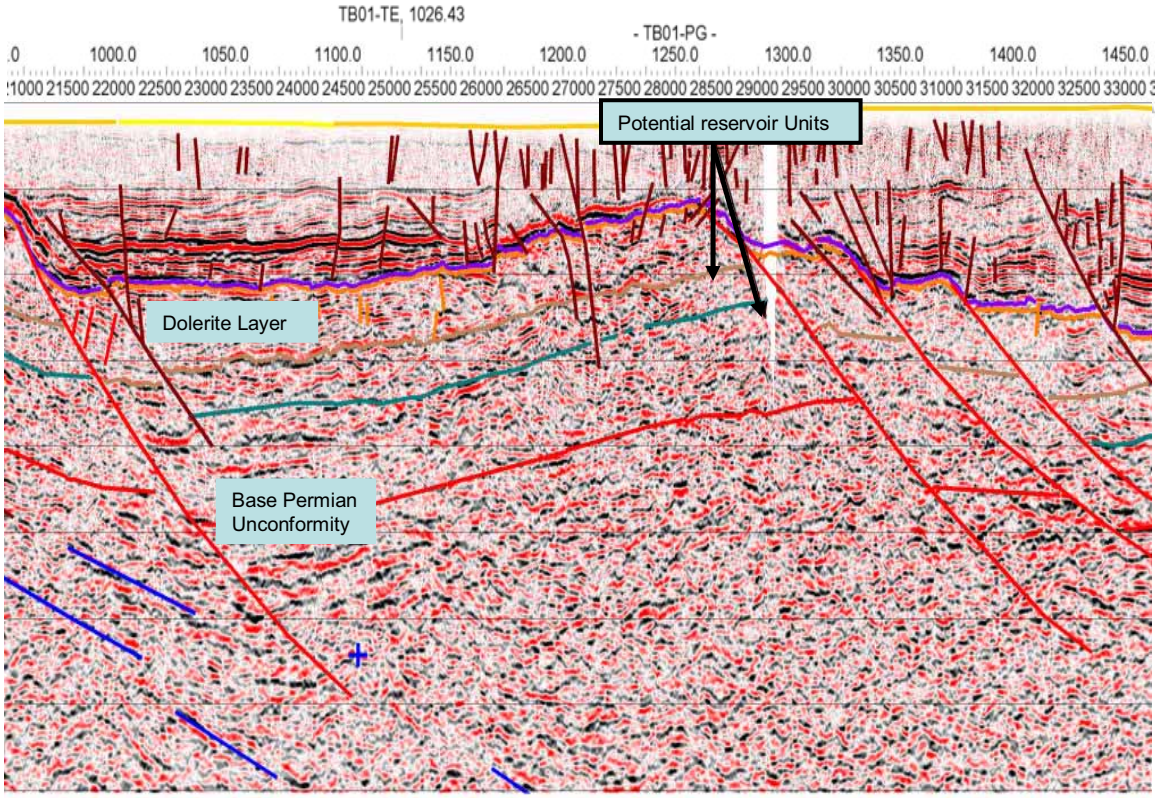

Figure 29 - Seismic Line TB01-PG, Hummocky Hills

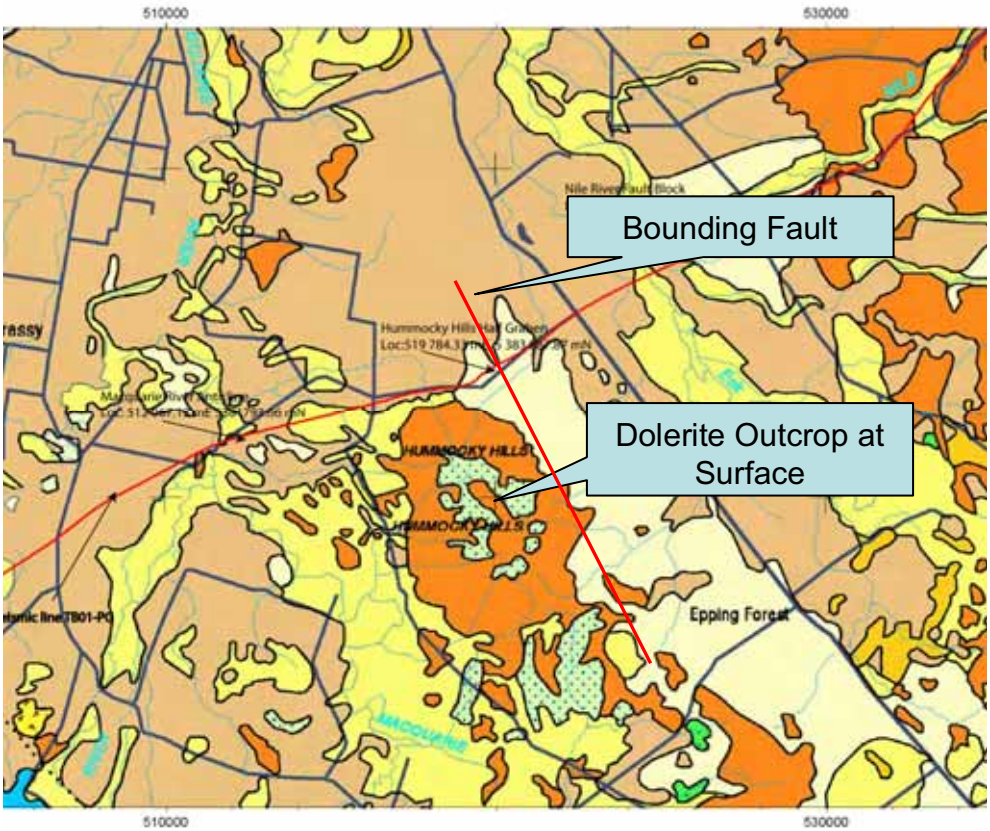

Figure 30 - Surface Geology at Hummocky Hills

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	22	115	501	213
Prospective Resource (MMbbls)	5	30	138	58

Table 11 - Unrisked oil volumes of Hummocky Hills Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	40
Charge	80
Reservoir	48
Seal	40
Prospect Specific Chance Total	7.7
Overall Chance of Success	**1.2**

Table 12 - Chance of success of the Hummocky Hills Lead

5.3 Thunderbolt Lead

The Thunderbolt Lead is located in central Tasmania (Figure 31). It is constrained by two 2D lines. The gross structure is interpreted as a large compressional fold similar to the Bellevue structure and is also caused by a deep seated detachment. The area immediately to the west appears very complex with possible back-thrusting and duplexing of the Ordovician and older rocks to such an extent that the Ordovician section is outcropping.

In general the feature is poorly defined with potential limestones based solely on limited seismic character as the target reservoirs. Figure 32 - Seismic line TB02-BA through Thunderbolt Lead shows the potential structure.

The volumes of unrisked oil for each level are presented in Table 13, with the full volumetric inputs presented in Appendix B.

The chances of success for each level of the Thunderbolt lead is presented in Table 14.

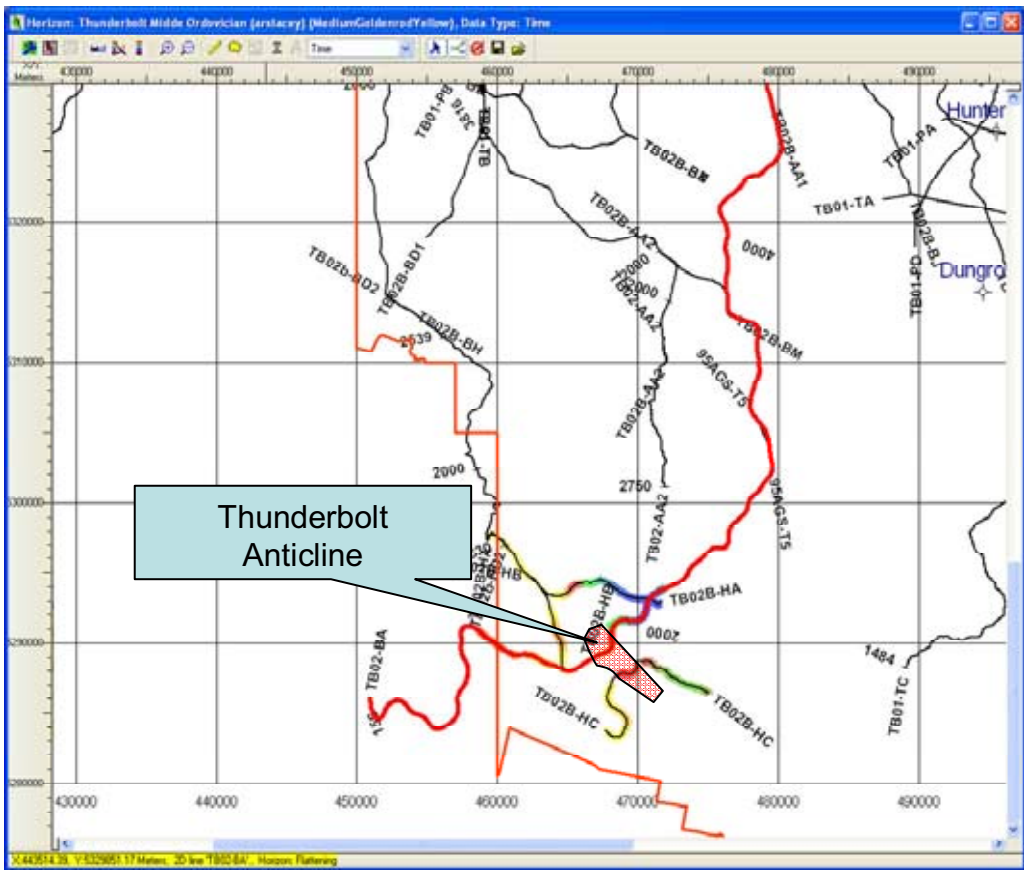

Figure 31 - Thunderbolt anticline location

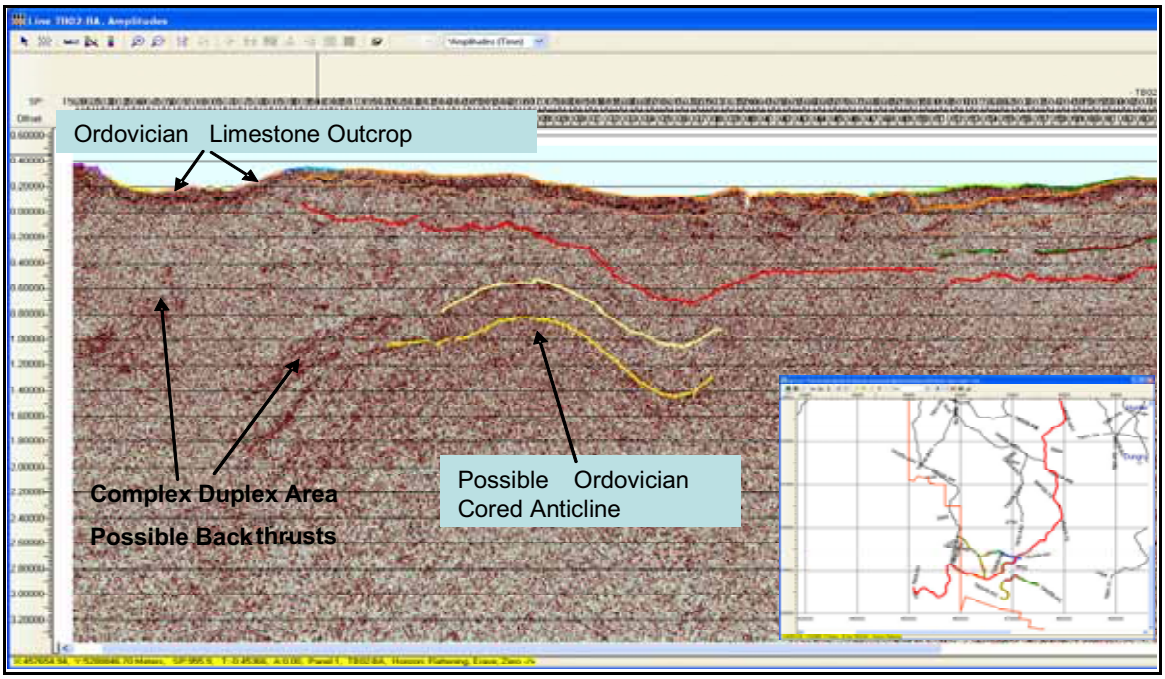

Figure 32 - Seismic line TB02-BA through Thunderbolt Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	49	206	717	61
Prospective Resource (MMbbls)	12	53	198	88

Table 13 – Unrisked oil volumes of Thunderbolt Lead

Play Chance	Percent
Reservoir	48
Seal	100
Source / Migration	25
Play Chance Total	12
Prospect Specific Chance	**Percent**
Trap	50
Charge	80
Reservoir	60
Seal	25
Prospect Specific Chance Total	6
Overall Chance of Success	**0.72**

Table 14 - Chance of success of the Thunderbolt Lead

5.4 Bracknell Dome Lead

The Bracknell Dome Lead is located in the north-eastern part of the block, (Figure 33) and features a Late Cenozoic inversion of an Early Cenozoic faulted graben (Figure 34). Possible reservoir targets are Mid–Tertiary clastic units and earlier Triassic and Permian units. Structural closure has been mapped at the Mid-Tertiary level and closure is likely at deeper levels, See Figure 35.

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in Table 15, with the full volumetric inputs presented in Appendix B.
The chances of success for the Bracknell Dome Lead is presented in Table 16.

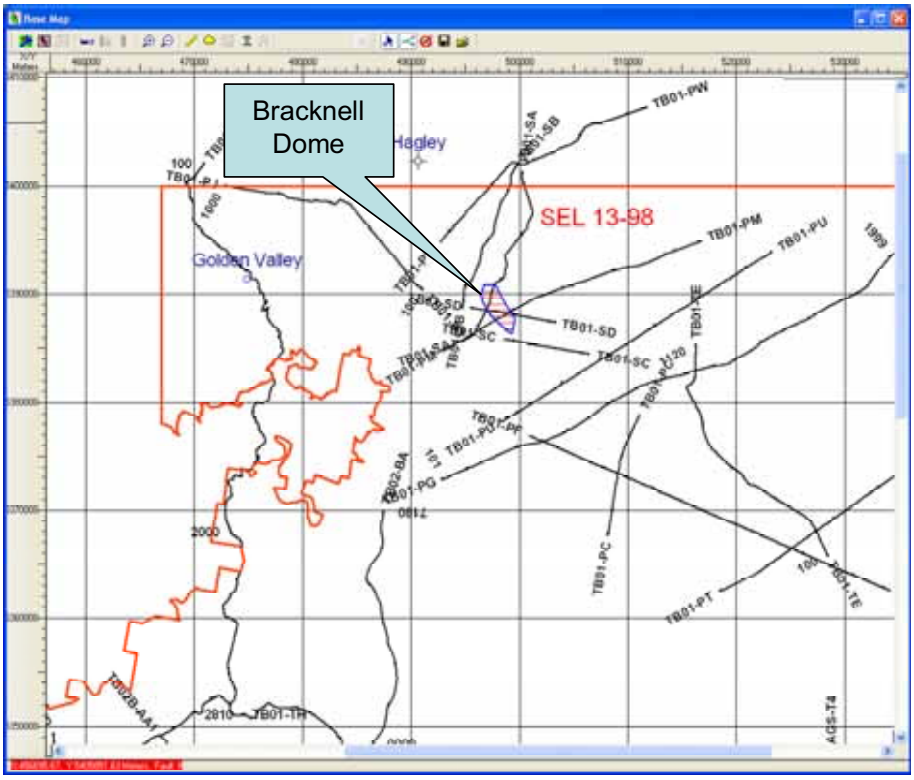

Figure 33 - Bracknell Dome Lead Location map

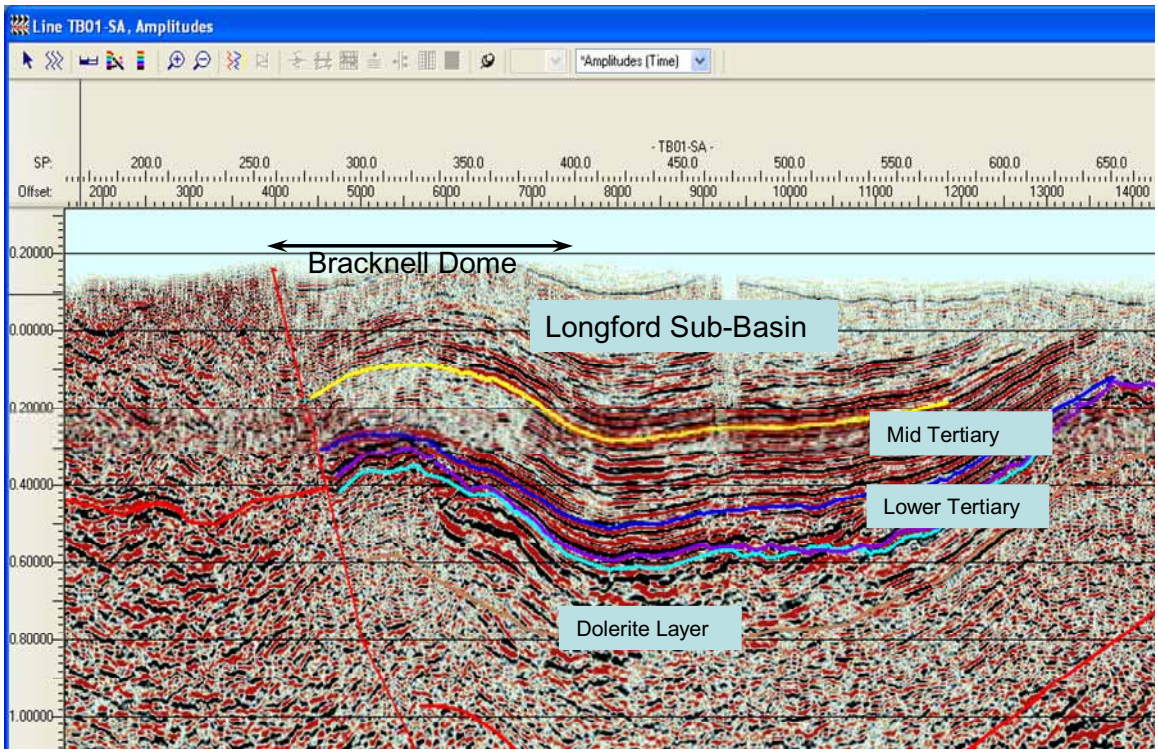

Figure 34 - Seismic Line TB01-SA through the Bracknell Dome Lead

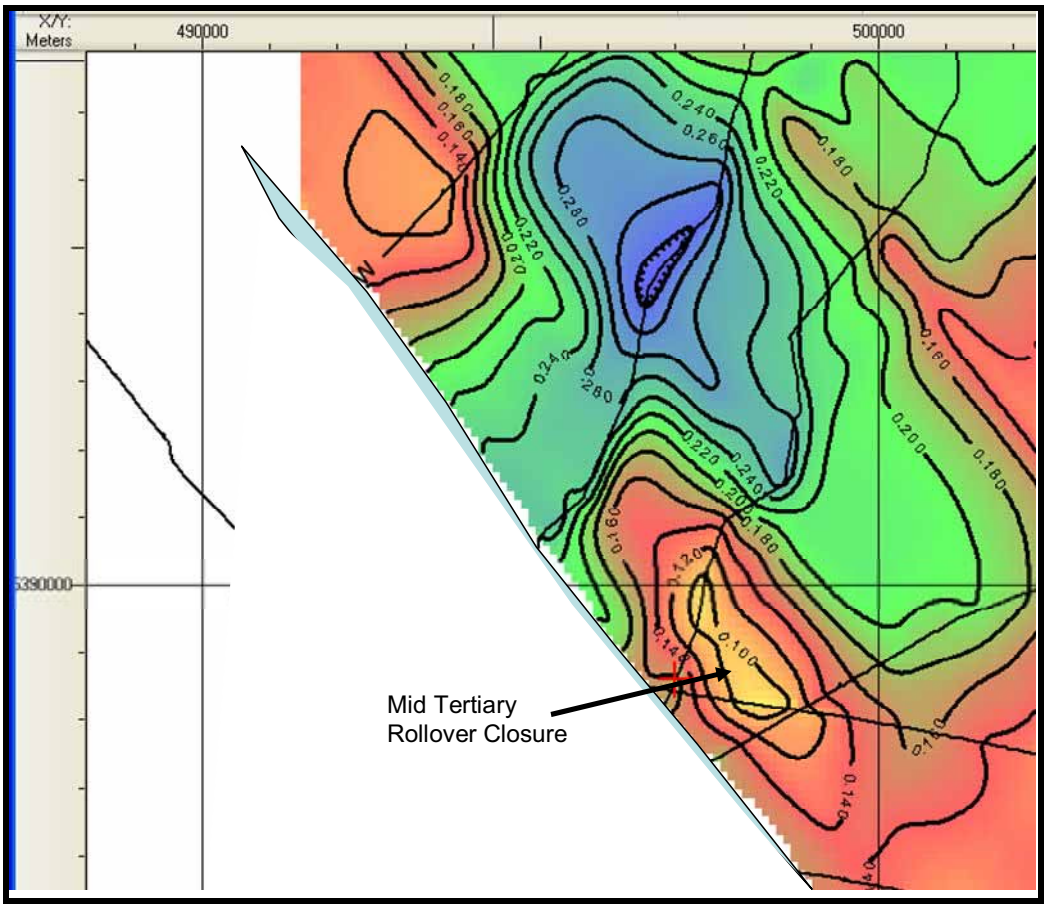

Figure 35 - Mid-Tertiary Two-Way-Time Map : Bracknell Dome Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	11	67	328	137
Prospective Resource (MMbbls)	3	18	90	37

Table 15 - Unrisked oil volumes of Bracknell Dome Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	50
Charge	80
Reservoir	60
Seal	30
Prospect Specific Chance Total	7.2
Overall Chance of Success	**1.2**

Table 16 - Chance of success of the Bracknell Dome Lead

5.5 Butlers Rise Lead

The Butlers Rise Lead is located in the Central Eastern part of the block, (Figure 36). The lead is identified only on a single west–east seismic line, and is therefore poorly defined. The seismic cross section is shown in Figure 37. The lead is interpreted to be a wrench controlled inverted flower structure forming a potential closure along the eastern fault. Potential reservoirs are expected in the Triassic and Permian sections.

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in Table 17, with the full volumetric inputs presented in Appendix B.
The chance of success for the Butlers Rise Lead is presented in Table 18.

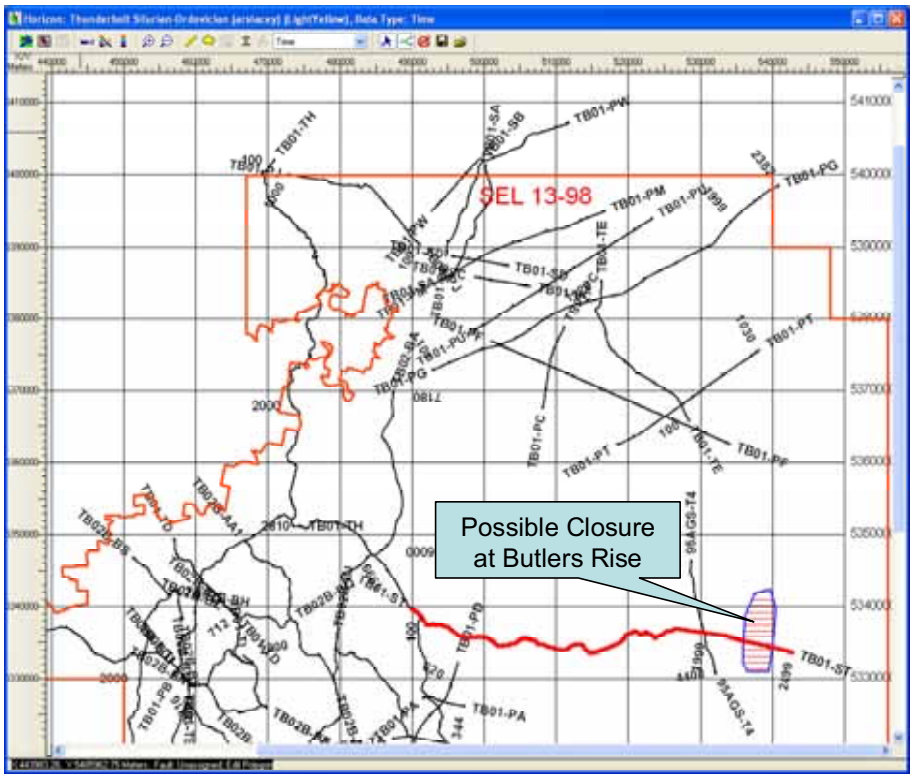

Figure 36 - Butlers Rise Lead Location

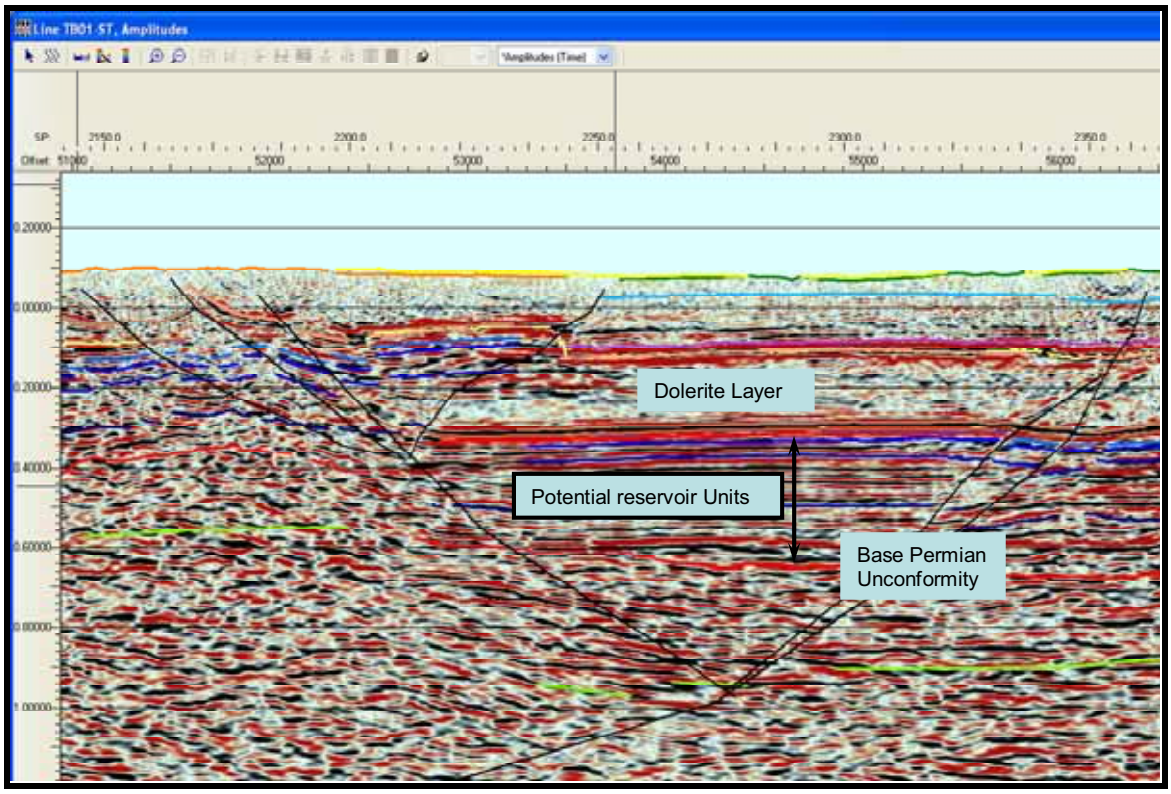

Figure 37 - Seismic Line TB01-ST through Butlers Rise Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	8	55	229	93
Prospective Resource (MMbbls)	2	14	63	25

Table 17 - Unrisked oil volumes of Butlers Rise Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	50
Charge	80
Reservoir	48
Seal	25
Prospect Specific Chance Total	4.8
Overall Chance of Success	**0.77**

Table 18 - Chance of success of the Butlers Rise Lead

5.6 Cressy Lead

The Cressy anticlinal lead is located in the northern part of the block, (Figure 38) and is based on a single seismic line shown in Figure 39. This line shows a deep seated flower structure with a central anticline. The potential target reservoirs are within the Triassic and Permian sections. Although poorly defined seismically, the general structure and geometry can be inferred from the surface geology map, (Figure 40). This shows that the inverted dolerite section now outcropping probably gives a reliable indication of the crestal structure trend.

The volumes of unrisked oil, based on a likely size and geometry of the trap are presented in Table 19, with the full volumetric inputs presented in Appendix B.

The chances of success for the Cressy anticline Lead is presented in Table 20.

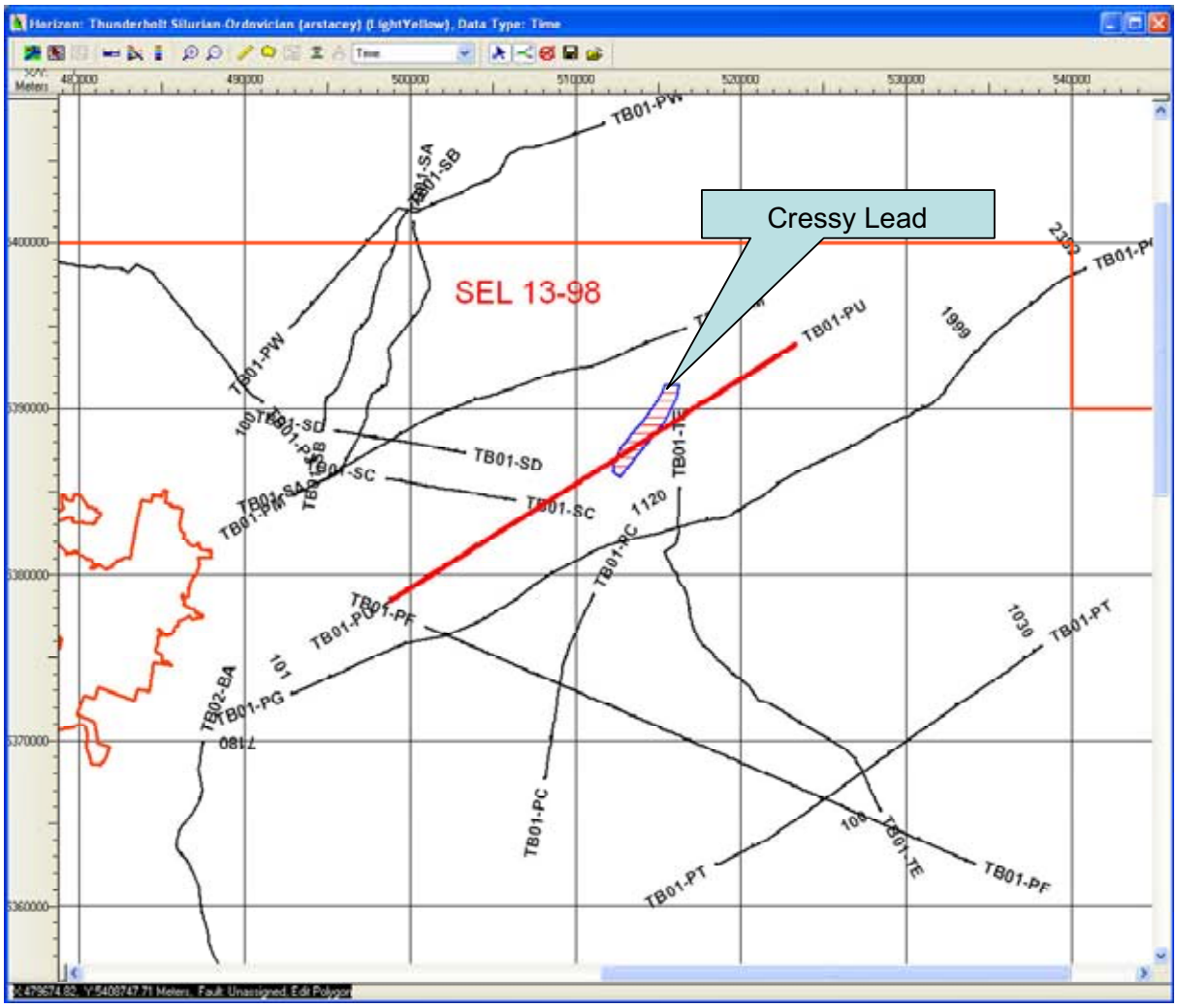

Figure 38 - Location Map Cressy Lead

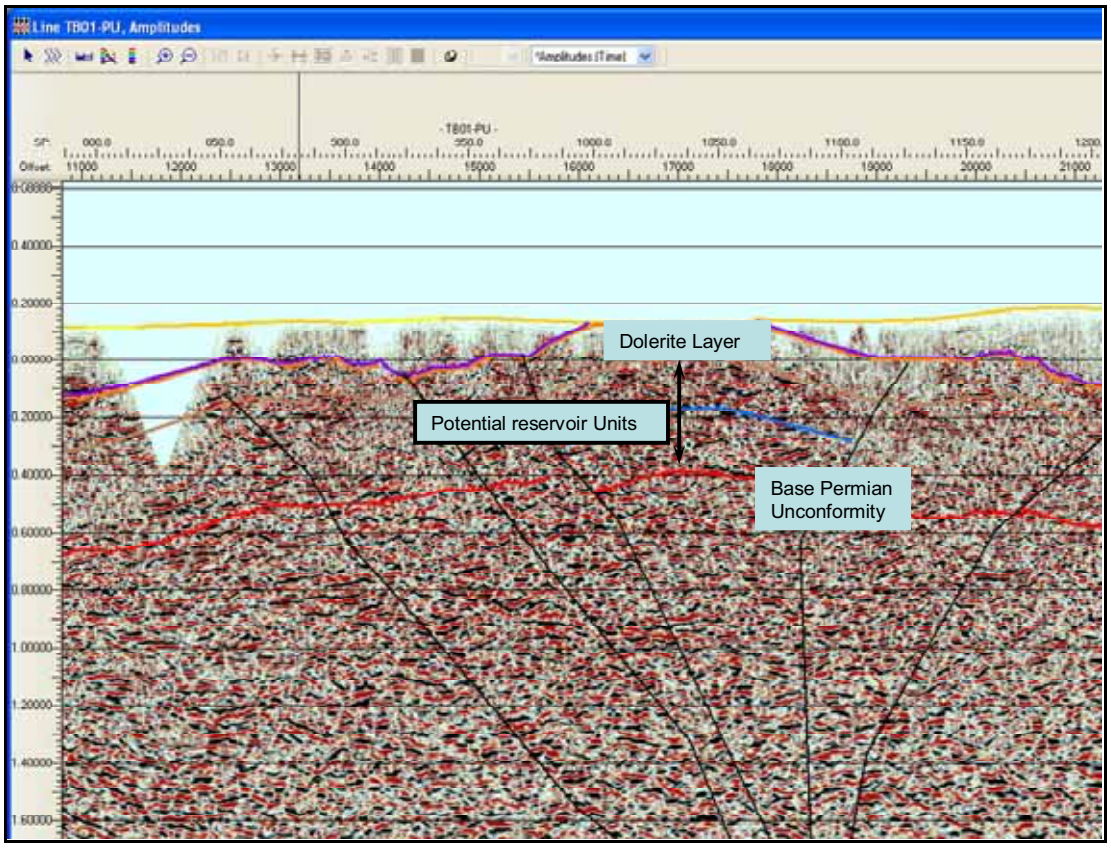

Figure 39 - Seismic line TB01-PU

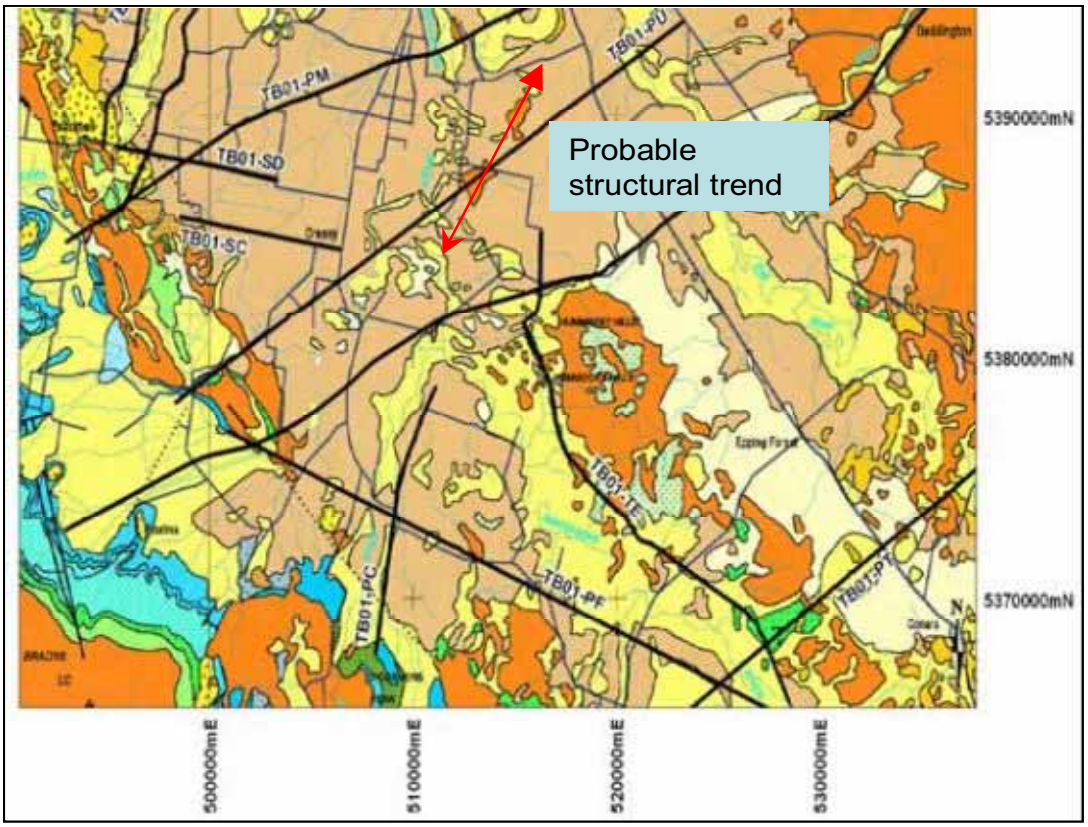

Figure 40 - Surface Geology at Cressy anticline

	Low Estimate	Best Estimate	High Estimate	Mean
Prospective STOIIP (MMbbls)	12	48	172	78
Prospective Resource (MMbbls)	3	12	48	21

Table 19 - Unrisked oil volumes of Cressy Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	50
Charge	80
Reservoir	60
Seal	30
Prospect Specific Chance Total	7.2
Overall Chance of Success	**1.2**

Table 20 - Chance of success of the Cressy Lead

5.7 Interlaken Lead

The Interlaken Feature is located to the east of the permit area (Figure 41). It is a tilted fault block intruded by dolerite, probably above the Liffey Group reservoir. The feature is poorly defined on a single seismic line which crosses the feature (Figure 42).

The unrisked volumes of oil and gas are tabulated in Table 21, with the full volumetric inputs presented in Appendix B.

The chances of success of the Interlaken Feature are presented in Table 22.

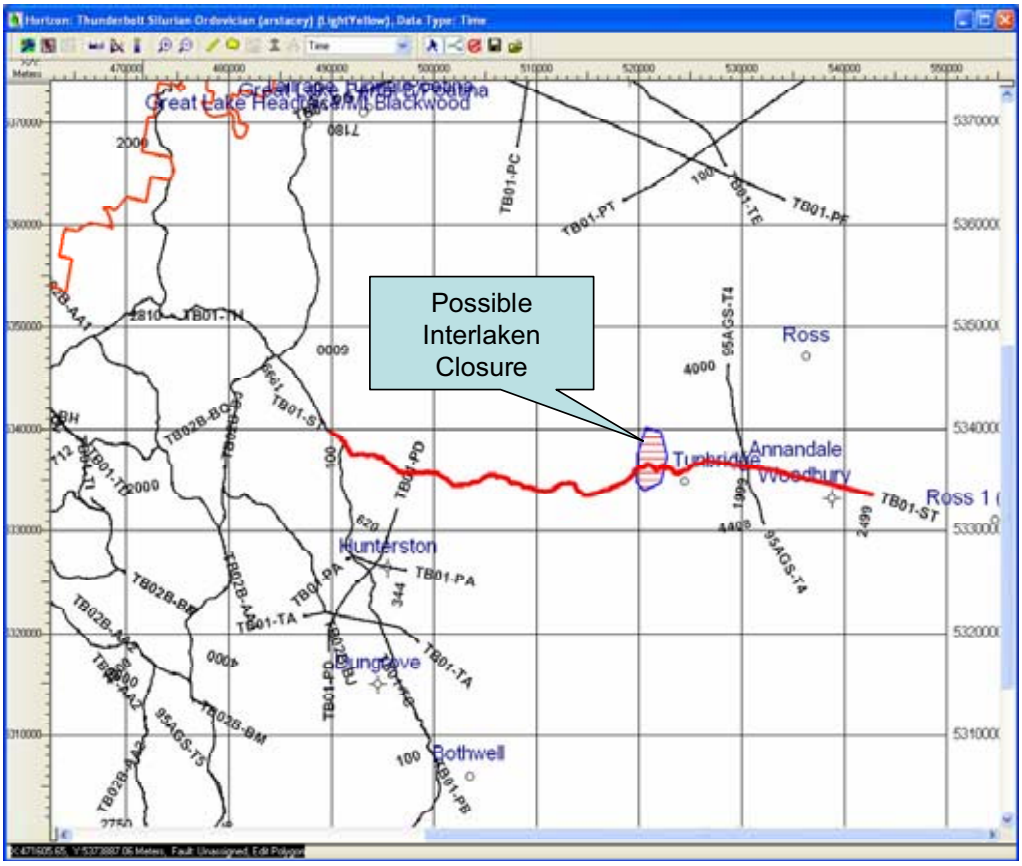

Figure 41 - Interlaken Lead Location

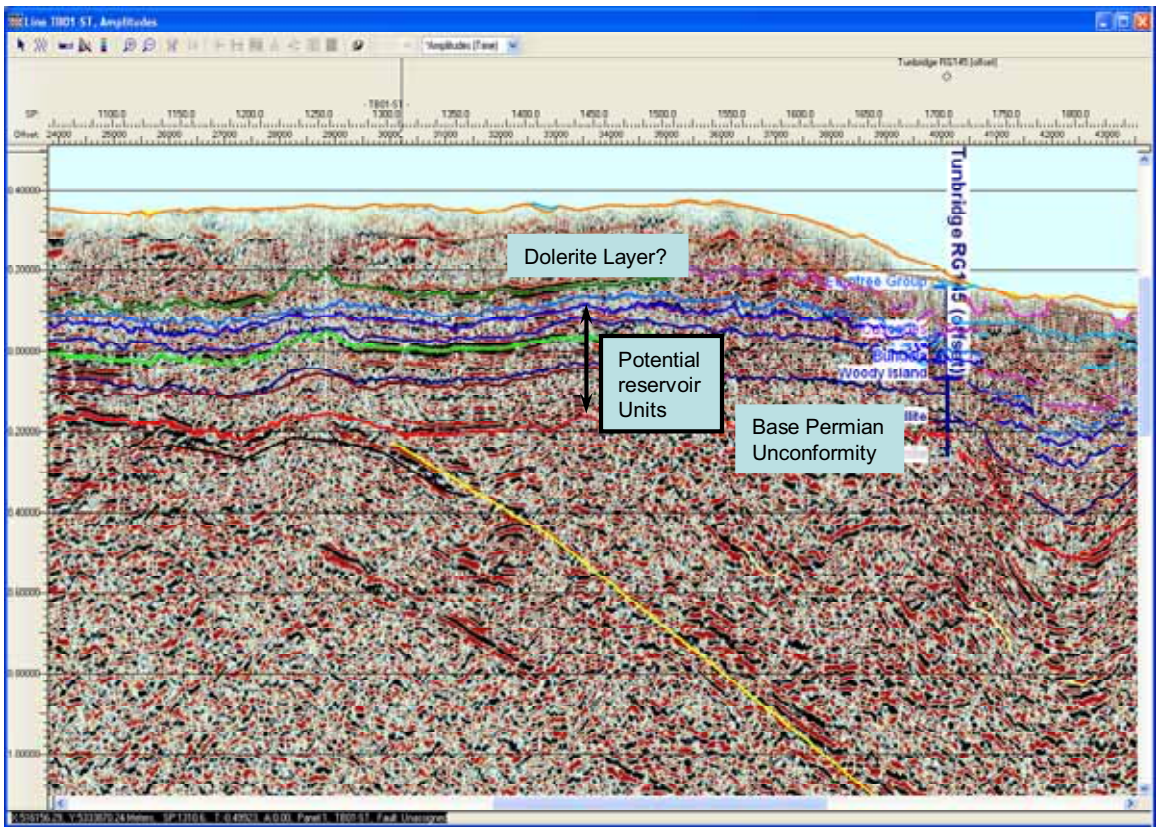

Figure 42 - Seismic line TB01-ST through the Interlaken Lead.

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	7	40	144	61
Prospective Resource (MMbbls)	2	10	40	17

Table 21 – Unrisked oil volumes of the Interlaken Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	28
Charge	80
Reservoir	48
Seal	28
Prospect Specific Chance Total	3
Overall Chance of Success	**0.47**

Table 22 - Chance of success of the Interlaken Lead

5.8 Macquarie River Lead

The Macquarie River Lead is located in the northern part of the block (Figure 43). The lead is depicted by only one southwest–northeast seismic line, and is therefore poorly defined. The seismic cross section is shown in Figure 44. The lead is interpreted to be an Cenozoic anticline bounded to the NE by an Early Cenozoic Fault and to the SE by a Later Cenozoic Fault. The Bouger Anomaly map depicts clearly the eastern closure of the anticline where the transition from green to blue colour indicates the limit between the Macquarie River anticline and its adjacent syncline (Figure 43). West of the lead the gravity data reflects the slightl thinning of the sedimentary column interpreted also in the seismic line.

Multiple potential reservoirs are expected in the Triassic and Permian sections.

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in Table 23, with the full volumetric inputs presented in Appendix B.
The chance of success for the Macquarie River Lead is presented in Table 24.

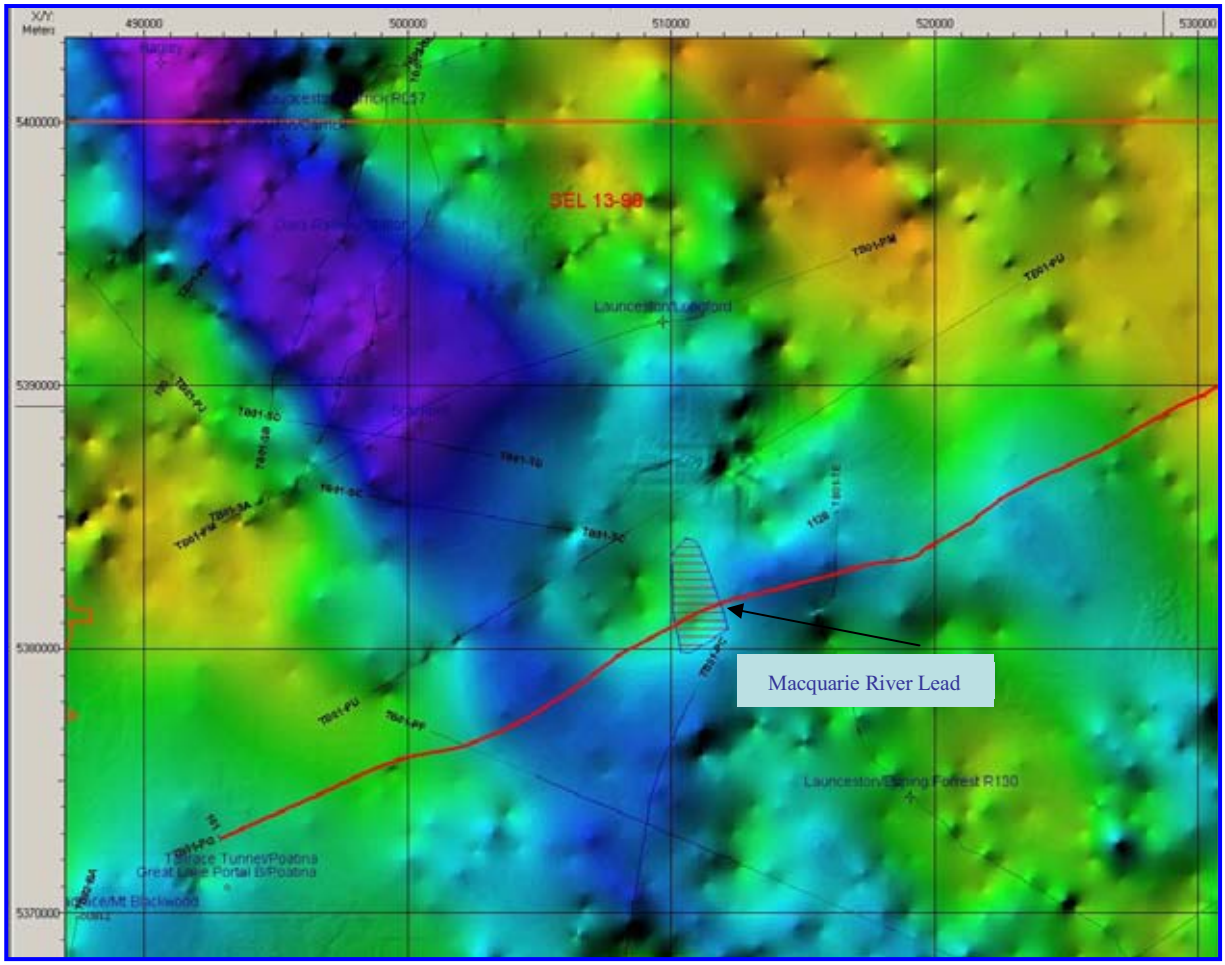

Figure 43 - Macquarie River Lead Location

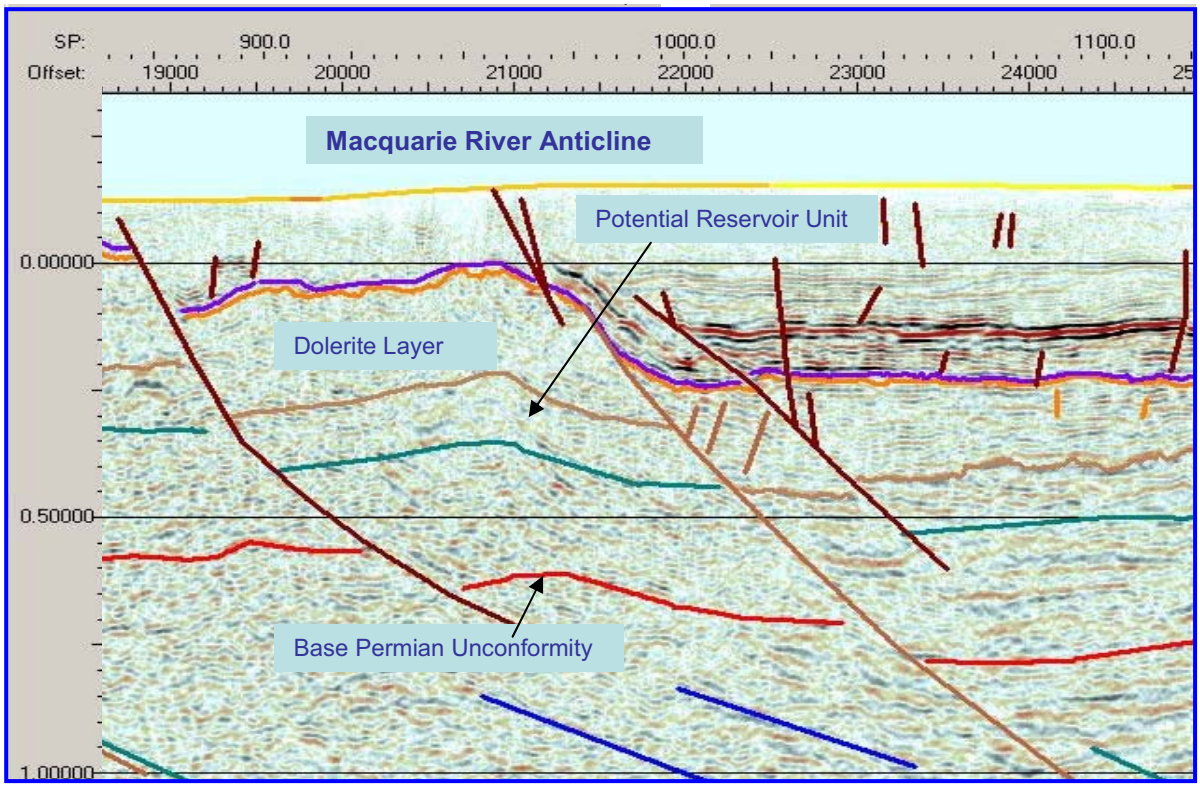

Figure 44 - Seismic Line TB01-PG through Macquarie River Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	17.6	56	157	75.7
Prospective Resource (MMbbls)	3.52	13.1	42.4	19.7

Table 23 - Unrisked oil volumes of the Macquarie River Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	30
Charge	60
Reservoir	50
Seal	40
Prospect Specific Chance Total	3.6
Overall Chance of Success	**0.58**

Table 24 - Chance of success of the Macquarie River Lead

5.9 Nile River Lead

The Nile River Lead is located in the northern part of the block (Figure 45). The lead was interpreted on the same southwest–northeast seismic line that crosses the Macquarie River Lead. This seismic cross section is shown in (Figure 46). The Nile River Lead was interpreted as a fault wedge block located east to the edge of the half graben and involves potential Permian reservoirs. However the quality of the seismic line is poor in that area and this lead was interpreted in base of an only one seismic line, implying that the risk associated in the lead is high. The Bouger Anomaly map depicts the presence and the northwest-southeast trend of this structure but does not illustrate the exact extension of it (Figure 45).

The volumes of unrisked oil based on a likely size and geometry of the trap are the same as for the Macquarie River Lead and are presented in Table 25 with the full volumetric inputs presented in Appendix B.
The chance of success for the Nile River Lead is presented in Table 26.

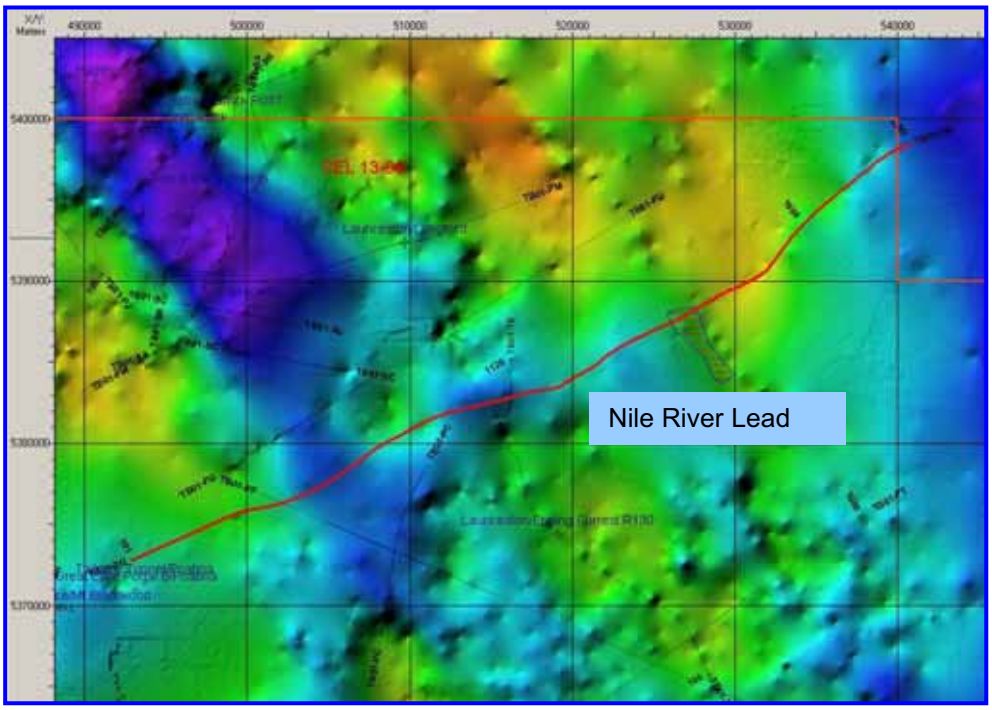

Figure 45 - Nile River Lead Location

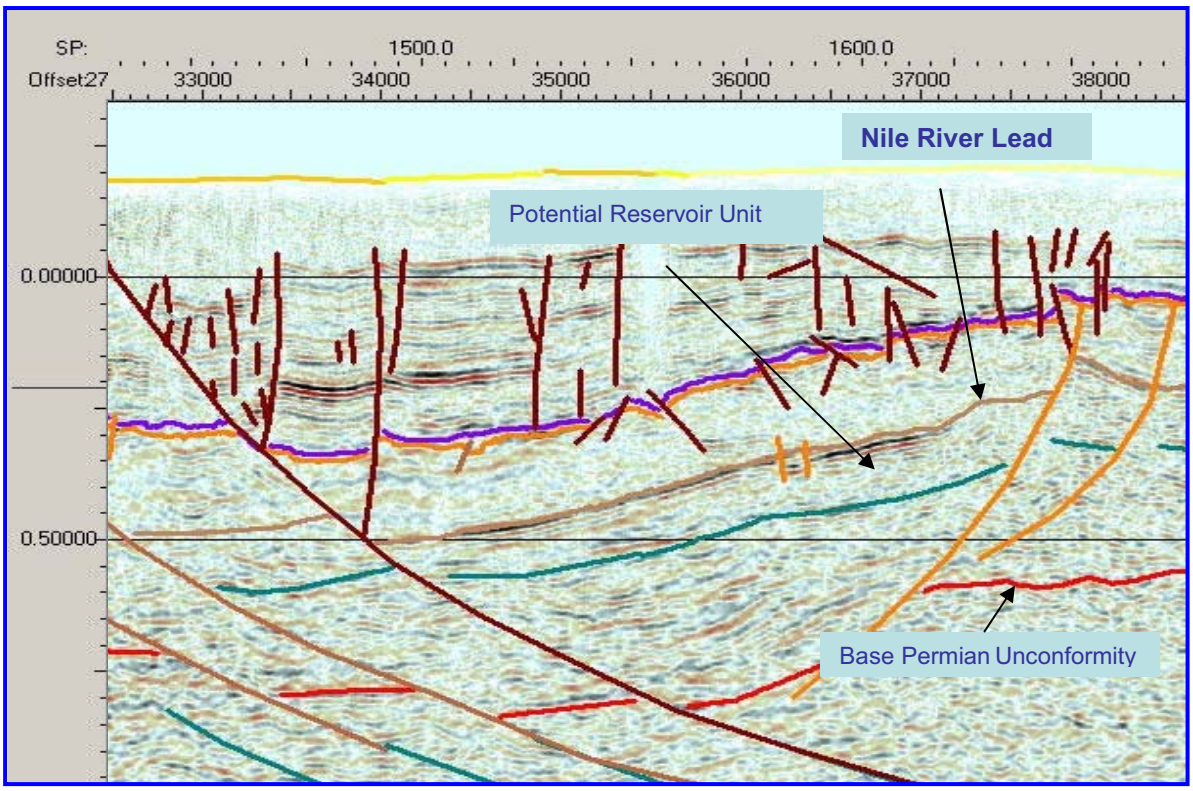

Figure 46 - Seismic Line TB01-PG through Nile River Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	17.6	56	157	75.7
Prospective Resource (MMbbls)	3.52	13.1	42.4	19.7

Table 25 - Unrisked oil volumes of the Nile River Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	33
Charge	60
Reservoir	50
Seal	52
Prospect Specific Chance Total	5.1
Overall Chance of Success	**0.81**

Table 26 - Chance of success of the Nile River Lead

5.10 Quamby Fault Block Lead

The Quamby fault block Lead is located in the north-west part of the block (Figure 47). The lead was interpreted in one north-south seismic line as a drag fold over a reverse fault (Figure 48). The presence of this small anticline is depicted by the Bouger Anomaly map (Figure 47).

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in Table 27 with the full volumetric inputs presented in Appendix B.
The chance of success for the Nile River Lead is presented in Table 28.

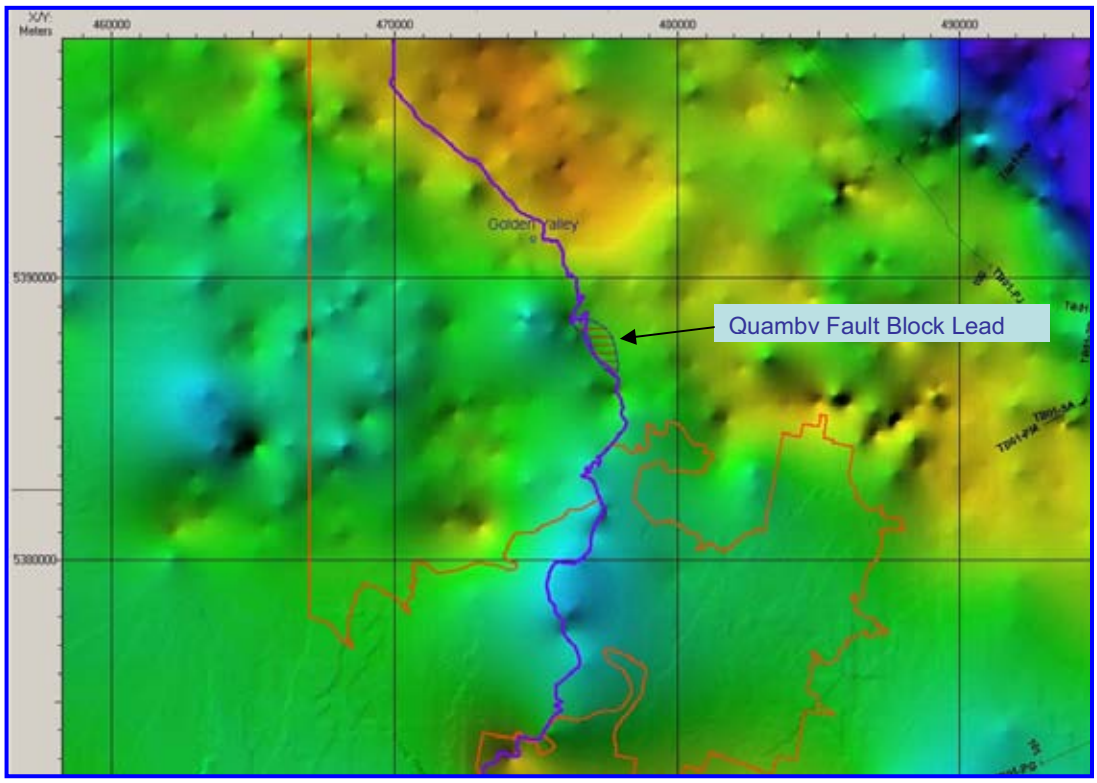

Figure 47 - Quamby Fault Block Lead Location

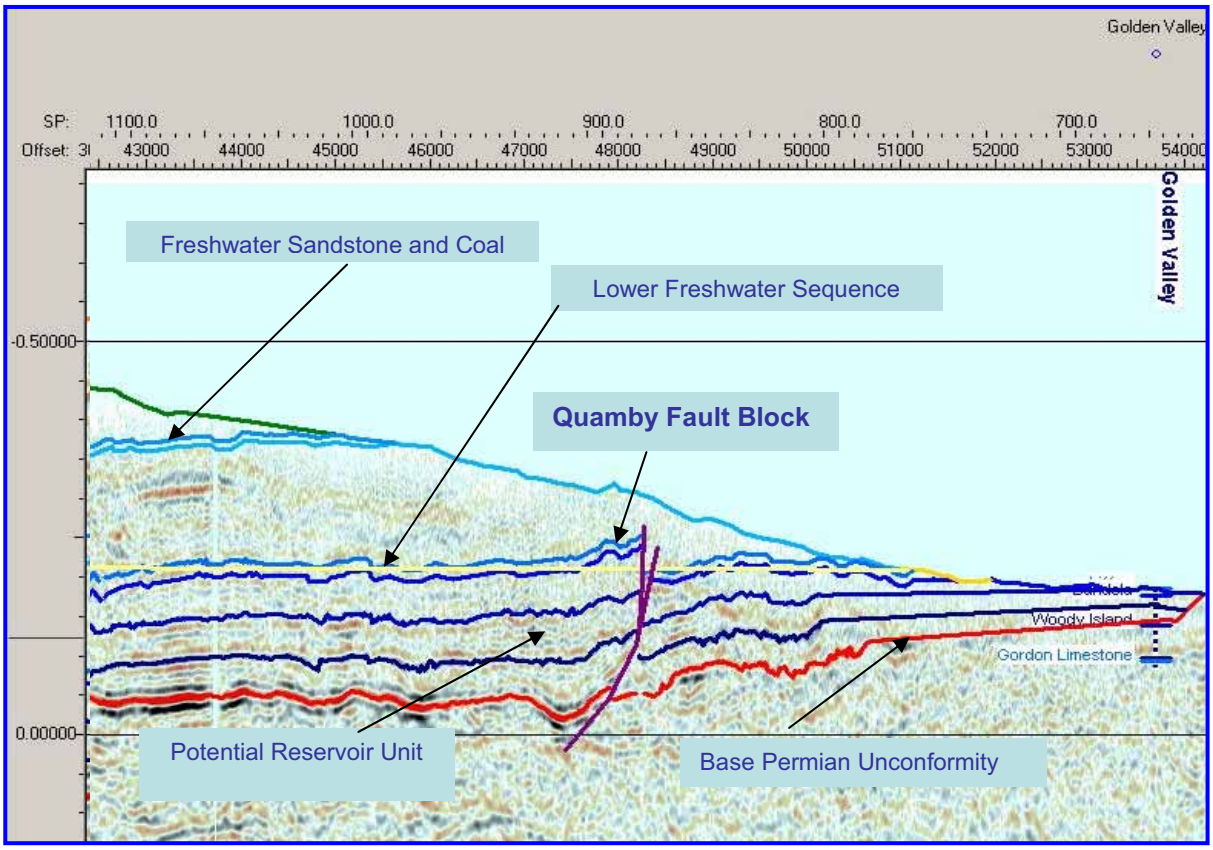

Figure 48 - Seismic Line TB01-TH through Quamby Fault Block Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	2.01	6.45	18.3	8.78
Prospective Resource (MMbbls)	0.405	1.52	4.95	2.28

Table 27 - Unrisked oil volumes of the Quamby Fault Block Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	30
Charge	60
Reservoir	50
Seal	44
Prospect Specific Chance Total	4
Overall Chance of Success	**0.63**

Table 28 - Chance of success of the Quamby Fault Block Lead

5.11 Steppes Lead

The Steppes Lead is an anticline located in the central part of the block (Figure 49). The anticline is poorly illustrated by only one seismic line and the structure may not be real, see Figure 50. Also the north-south extent of the anticline is not depicted by the Bouger Anomaly Gravity map. The base of the dolerite is not parallel to Parmeener Supergroup indicating folding prior to the intrusion of the dolerite. Early Permian reservoir is expected to be present in this area.

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in Table 29 with the full volumetric inputs presented in Appendix B.
The chance of success for the Steppes Lead is presented in Table 30.

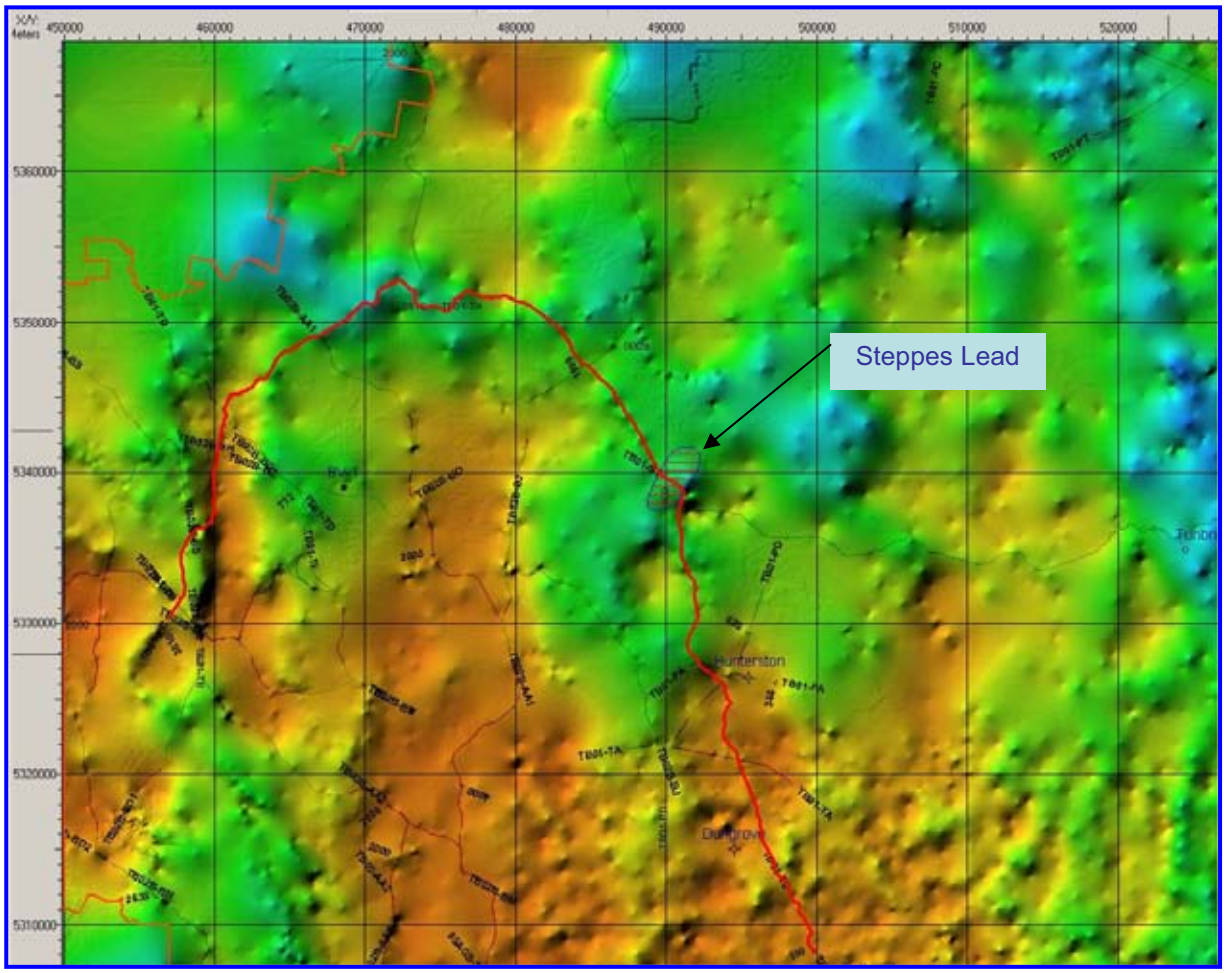

Figure 49 - Steppes Lead Location

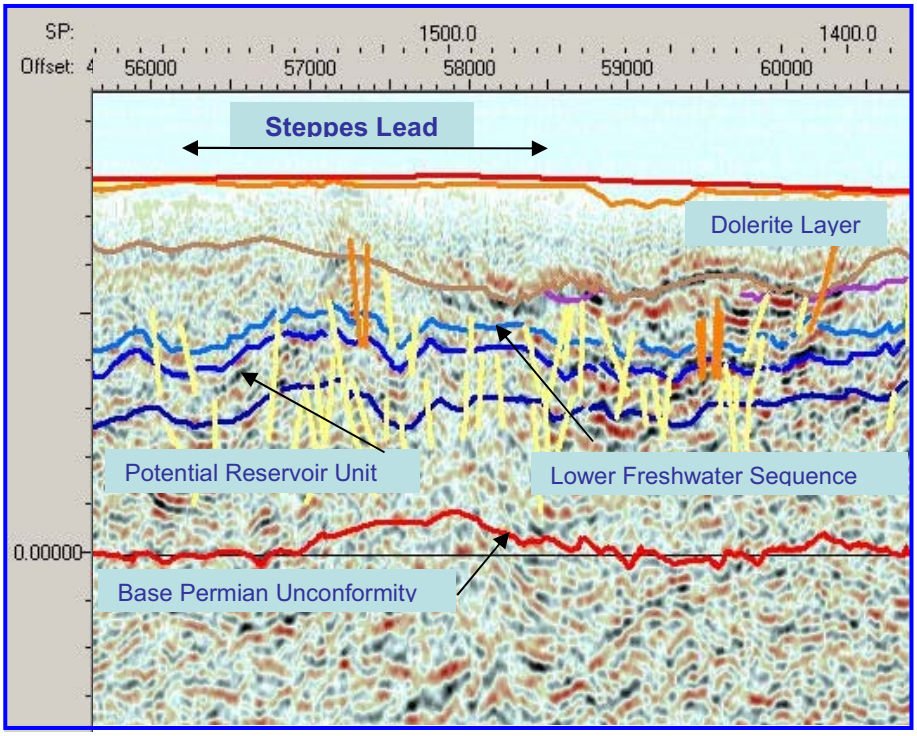

Figure 50 - Seismic Line TB01-PB through Steppes Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	9.74	31.3	89.2	42.6
Prospective Resource (MMbbls)	1.96	7.39	24	11.1

Table 29 - Unrisked oil volumes of the Steppes Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	45
Charge	60
Reservoir	50
Seal	60
Prospect Specific Chance Total	8
Overall Chance of Success	**1.3**

Table 30 - Chance of success of the Steppes Lead

5.12 Stockwell Lead

The Stockwell Lead is defined by two seismic lines and is located in the northeast part of the block (Figure 51). The lead is a fault block bounded to the northeast by an Early Cenozoic Fault and to the southwest by a Later Cenozoic Fault (Figure 52). Multiple Triassic and Permian reservoirs are expected to be involved in this structure.

The volumes of unrisked oil based on a likely size and geometry of the trap are presented in the Table 31 with the full volumetric inputs presented in Appendix B.
The chance of success for the Stockwell Lead is presented in Table 32.

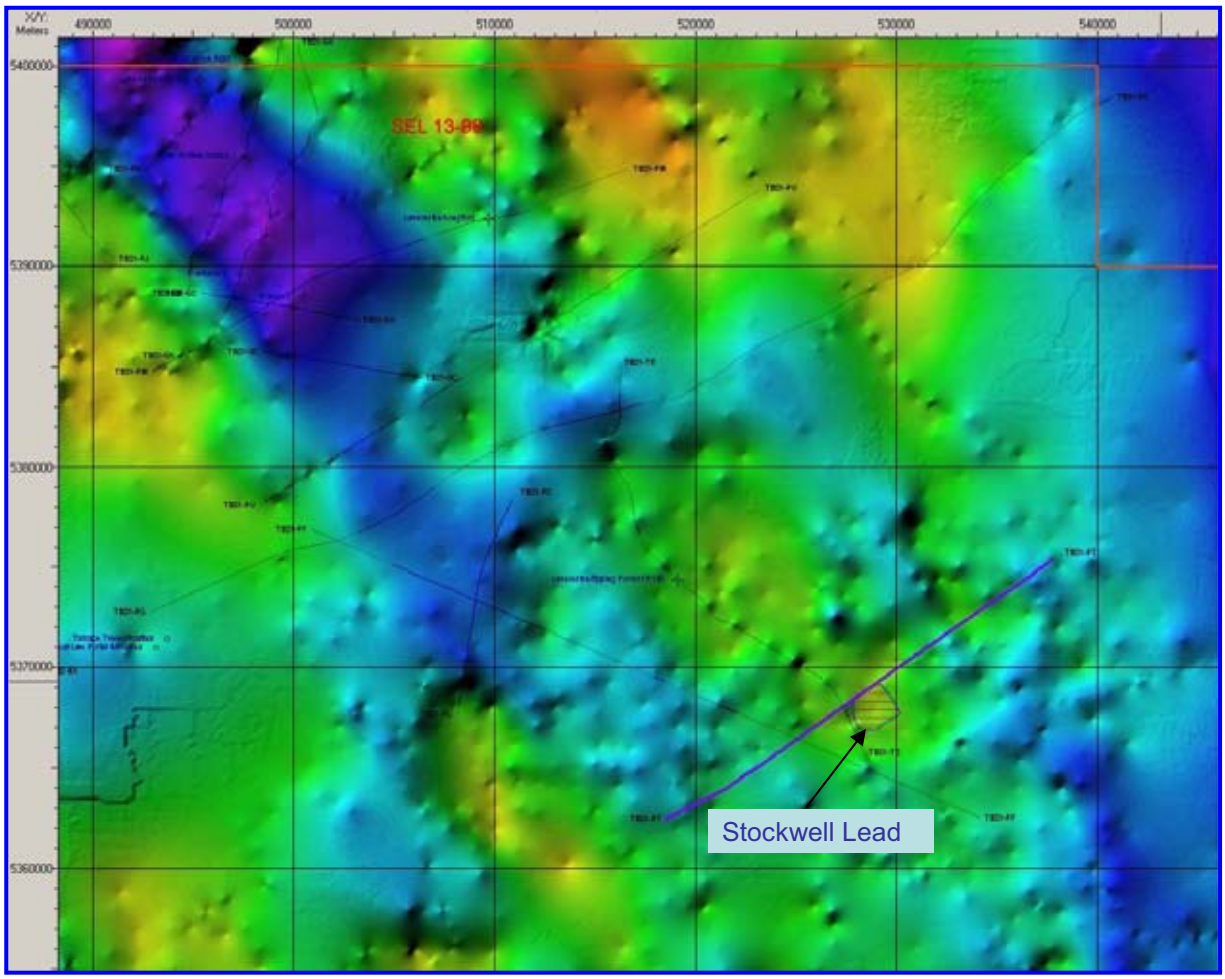

Figure 51 - Stockwell Lead Location

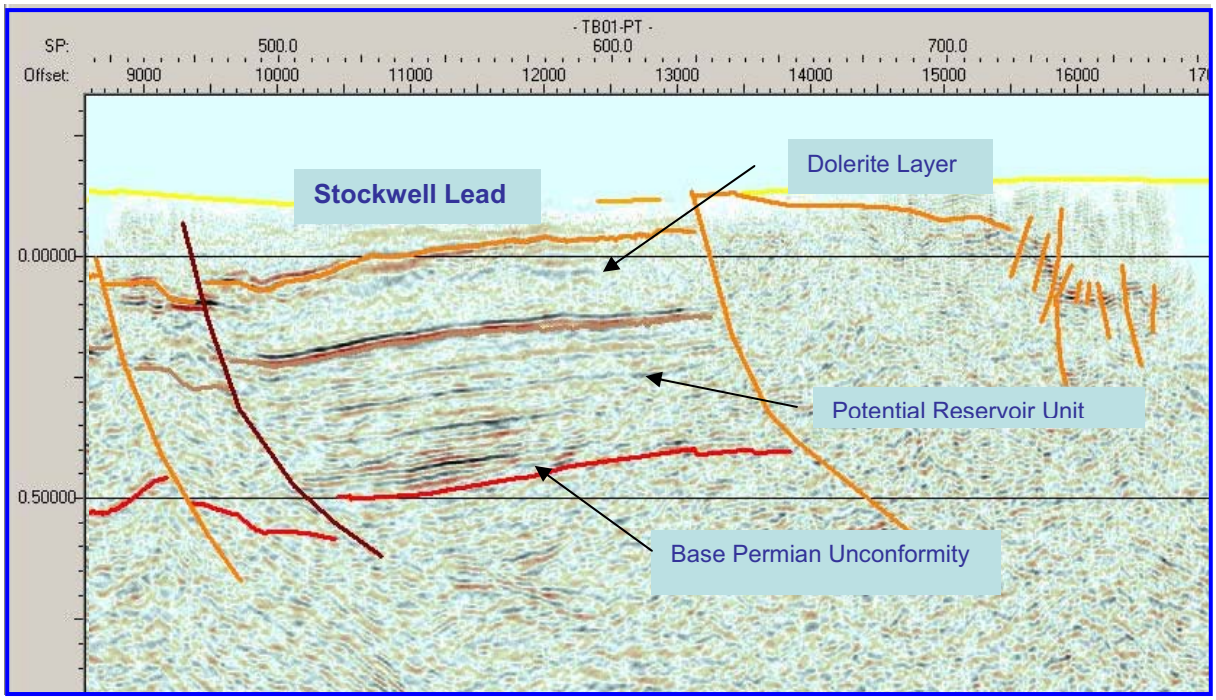

Figure 52 - Seismic Line TB01-PT through Stockwell Lead

	Low Estimate	Best Estimate	High Estimate	Mean
Undiscovered Oil Initially-in-Place (MMbbls)	9.97	31.5	87.6	42.3
Prospective Resource (MMbbls)	2	7.4	23.6	11

Table 31 - Unrisked oil volumes of the Stockwell Lead

Play Chance	Percent
Reservoir	64
Seal	100
Source / Migration	25
Play Chance Total	16
Prospect Specific Chance	**Percent**
Trap	49
Charge	60
Reservoir	50
Seal	32
Prospect Specific Chance Total	4.7
Overall Chance of Success	**0.75**

Table 32 - Chance of success of the Stockwell Lead

6. QUALIFICATIONS

RPS Energy is an independent consultancy specialising in petroleum reservoir evaluation and petroleum geology. Except for the provision of professional services on a fee basis, RPS Energy does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report. David R. Guise, Managing Director - Consulting Australia/ S.E. Asia at RPS Energy, has supervised the evaluation.

David is a registered Professional Engineer with over 30 years of domestic and international experience in both onshore and offshore operating environments. He has substantial experience and knowledge of field development planning, optimization and reserve estimating as well as new venture identification and evaluation. David has also acquired significant commercial and team management skills in an operating production environment. Operating companies that he has worked for as an employee include Nexen Australia, Gulf Indonesia, Energy Equity, Asamera Oil, Delhi Petroleum and Texaco Canada. He also worked in a consulting role as an independent consultant for several companies in Australia and Indonesia prior to joining RPS Energy as Petroleum Engineering Manager in January, 2006. He was appointed to the position of Managing Director – Consulting, Australia and South East Asia in 2007.

7. BASIS OF OPINION

The evaluation presented in this report reflects our informed judgement based on accepted standards of professional investigation but is subject to generally recognised uncertainties associated with the interpretation of geological, geophysical and engineering data. The evaluation has been conducted within our understanding of petroleum legislation, taxation and other regulations that currently apply to these interests. However, RPS Energy is not in a position to attest to the property title, financial interest relationships or encumbrances related to the property.

It should be understood that any evaluation, particularly one involving exploration and future petroleum developments, may be subject to significant variations over short periods of time as new information becomes available.

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9. APPENDIX A: GLOSSARY OF TERMS AND ABBREVIATIONS

AAPG	American Association of Petroleum Geologists
AFT	apatite fission track
API	American Petroleum Institute
asl	above sea level
B	billion
bbl(s)	barrels
bbls/d	barrels per day
Bcm	billion cubic metres
B_g	gas formation volume factor
B_{gi}	gas formation volume factor (initial)
B_o	oil formation volume factor
B_{oi}	oil formation volume factor (initial)
B_w	water volume factor
bopd	barrels of oil per day
Bscf	billions of standard cubic feet
bwpd	barrels of water per day
CO_2	Carbon dioxide
condensate	liquid hydrocarbons which are sometimes produced with natural gas and liquids derived from natural gas
ft	feet
ftSS	depth in feet below sea level
GRV	gross rock volume
H_2S	hydrogen sulphide
KB	Kelly Bushing
km	kilometres
km^2	square kilometres
LNG	liquefied natural gases
LPG	liquefied petroleum gases
Ma	Million years ago
M	thousand
MM	million
MD	measured depth
mD	permeability in millidarcies
m^3	cubic metres
m^3/d	cubic metres per day
MMscf/d	millions of standard cubic feet per day

m/s	metres per second
msec	milliseconds
NTG	net to gross ratio
P_c	capillary pressure
Petroleum	A naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid or solid phase. Petroleum may also contain non-hydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%.
phi	porosity fraction
ppm	parts per million
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.
PVT	pressure volume temperature
rb	barrel(s) of oil at reservoir conditions
rcf	reservoir cubic feet
RFT	repeat formation tester
RKB	relative to Kelly Bushing
rm^3	reservoir cubic metres
SCAL	special core analysis
scf	standard cubic feet measured at 14.7 pounds per square inch and 60° F
scf/d	standard cubic feet per day
scf/stb	standard cubic feet per stock tank barrel
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
stb	stock tank barrels measured at 14.7 pounds per square inch and 60° F
stb/d	stock tank barrels per day
STOIIP	stock tank oil initially-in-place
S_w	water saturation
t	tonnes
Tscf	trillion standard cubic feet
TVDSS	true vertical depth (sub-sea)
TVT	true vertical thickness

TWT	two-way time
Undiscovered Petroleum initially-in-place	That quantity of petroleum which is estimated, as of a given date, to be contained in accumulations yet to be discovered. The estimated potentially recoverable portion of Undiscovered Petroleum initially-in-place is classified as Prospective Resources, as defined below.
V_{sh}	shale volume
WPC	World Petroleum Council
ϕ	porosity

10. APPENDIX B: PROBABILISTIC RESERVES INPUT DATA

BellevueUpper_OIL_DLS

REP for Windows

Country:	Australia	Prospect/Field:	BellevueUpper_OIL_DLS
State:		Reservoir:	
Block:	SEL 13/1998	Hydrocarbons:	Oil
Basin:	XXX	Prospect class:	
Play:	XXX	Reserve class:	Unspecified
Licence:	XXX	On/offshore:	
Production Interest:	100.00	Depth datum:	
		Terrain:	
Exploration Interest:	100.00	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	4545420	160	38.0	38.0
P50:	7399917	587	151	151
P10:	0.117E+08	1732	484	484
Mean:	7845211	808	220	220
Risked mean:			4.44	4.44

Chance of Geological Success GPOS: 2.0%

Overall Chance of Success EPOS 2.0%

Comments:

BellevueUpper_OIL_DLS

REP for Windows

Country:	**Australia**	Name:	**BellevueUpper_OIL_DLS**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	39.9	50.0	59.2	70.0	87.7	58.2
Thickness	m	Lognor	126	200	283	400	637	263
Shape factor	%	Normal	19.9	40.0	55.0	70.0	90.1	55.0
Deg. of fill	%	Rect	10.0	19.0	55.0	91.0	100	55.0
Net-to-gross	%	Normal	[0]	20.0	50.0	80.0	[100]	50.0
Porosity	%	Normal	[0]	4.00	9.00	14.0	20.7	9.00
Sw	%	Normal	3.18	30.0	50.0	70.0	96.8	50.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

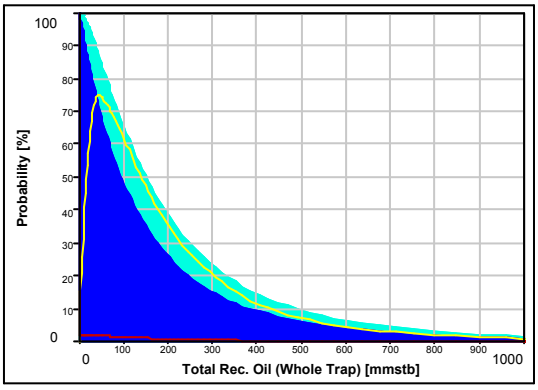
Risk Factors

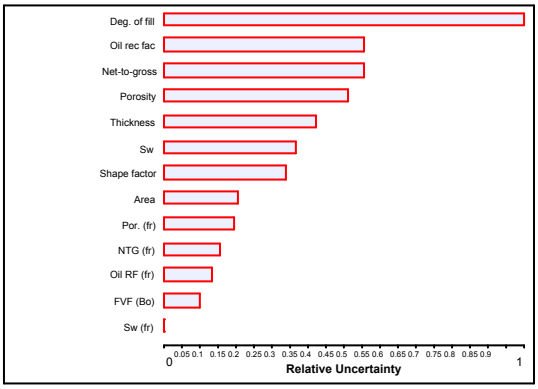
Play Chance:	**12%**	Prospect Specific Chance:	**17%**
Reservoir:	48%	Trap:	70%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	50%
		Charge:	80%

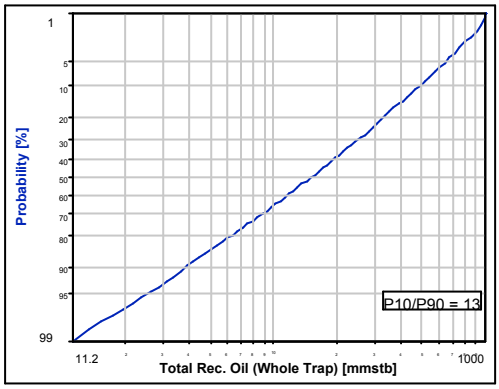
Chance of Geological Success GPOS: **2.0%**

Economic Criteria

No economic minima applied







Bellevue_LOwer_OIL_DLS

Country:	Australia	Prospect/Field:	Bellevue_LOwer_OIL_DLS
State:		Reservoir:	
Block:	SEL 13/1998	Hydrocarbons:	Oil
Basin:	XXX	Prospect class:	
Play:	XXX	Reserve class:	Unspecified
Licence:	XXX	On/offshore:	
Production Interest:	100.00	Depth datum:	
		Terrain:	
Exploration Interest:	100.00	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV	Oil-in-Place	Total Rec. Oil	
	Whole Trap acre-ft	Whole Trap mmstb	Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	2800974	99.5	23.6	23.6
P50:	4640503	368	94.9	94.9
P10:	7473712	1094	307	307
Mean:	4951547	510	139	139
Risked mean:			2.80	2.80

Chance of Geological Success GPOS: 2.0%

Overall Chance of Success EPOS 2.0%

Comments:

REP file: t:\gsl-1224_cpr_update\volumetrics\bellevue_lower_ls_oil.ppr

Author: User Name Date: 25/06/08 Appraiser: Reference:

5.12d

Bellevue_LOwer_OIL_DLS

REP for Windows

Country:	**Australia**	Name:	**Bellevue_LOwer_OIL_DLS**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	22.5	30.0	37.1	46.0	61.3	36.1
Thickness	m	Lognor	126	200	283	400	637	263
Shape factor	%	Normal	19.9	40.0	55.0	70.0	90.1	55.0
Deg. of fill	%	Rect	10.0	19.0	55.0	91.0	100	55.0
Net-to-gross	%	Normal	[0]	20.0	50.0	80.0	[100]	50.0
Porosity	%	Normal	[0]	4.00	9.00	14.0	20.7	9.00
Sw	%	Normal	3.18	30.0	50.0	70.0	96.8	50.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

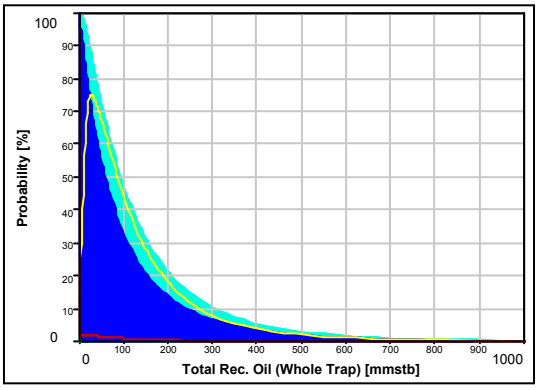
Risk Factors

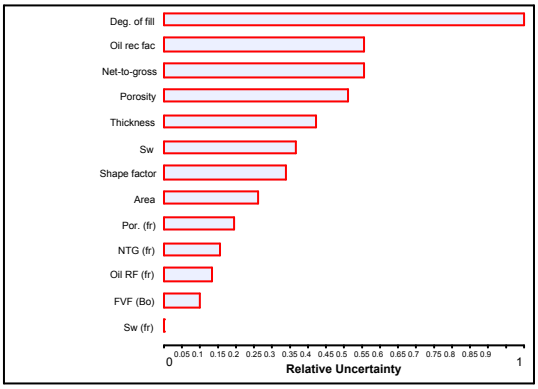
Play Chance:	**12%**	Prospect Specific Chance:	**17%**
Reservoir:	48%	Trap:	70%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	50%
		Charge:	80%

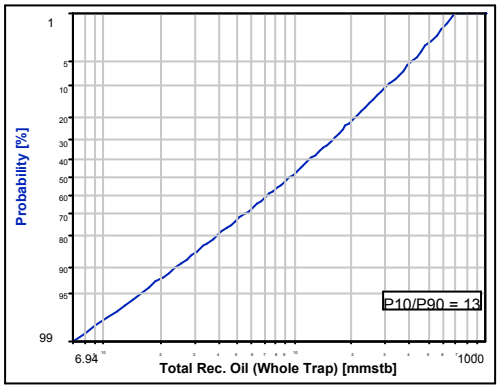
Chance of Geological Success GPOS: **2.0%**

Economic Criteria

No economic minima applied







Bracknell_OIL

Country:	**Australia**	Prospect/Field:	**Bracknell_OIL**
State:		Reservoir:	
Block:	**SEL 13/1998**	Hydrocarbons:	**Oil**
Basin:	**XXX**	Prospect class:	
Play:	**XXX**	Reserve class:	**Unspecified**
Licence:	**XXX**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
		Terrain:	
Exploration Interest:	**100.00**	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**84812**	**11.6**	**2.84**	**2.84**
P50:	**430975**	**67.4**	**17.5**	**17.5**
P10:	**1839732**	**328**	**89.6**	**89.6**
Mean:	**771737**	**137**	**37.4**	**37.4**
Risked mean:			**0.431**	**0.431**

Chance of Geological Success GPOS: **1.2%**
Overall Chance of Success EPOS **1.2%**

Comments:

Bracknell_OIL

REP for Windows

Country:	**Australia**	Name:	**Bracknell_OIL**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.312	2.00	8.00	32.0	[40.0]	2.48
Thickness	m	Lognor	15.0	50.0	122	300	997	75.1
Shape factor	%	Normal	36.6	50.0	60.0	70.0	83.4	60.0
Deg. of fill	%	Rect	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

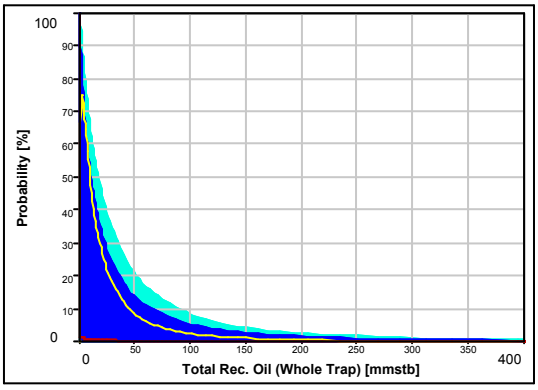
Risk Factors

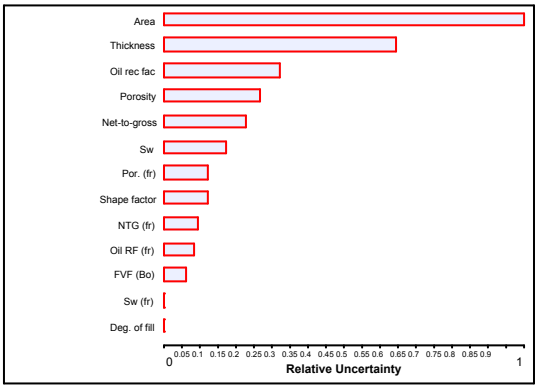
Play Chance:	**16%**	Prospect Specific Chance:	**7.2%**
Reservoir:	64%	Trap:	50%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	30%
		Charge:	80%

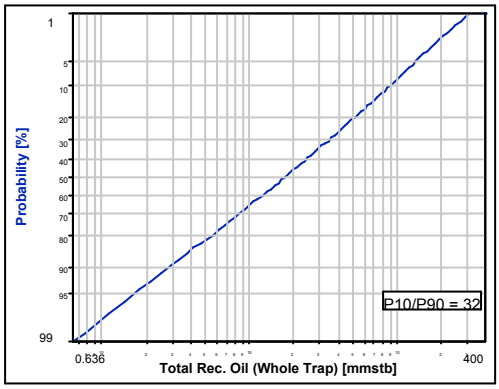
Chance of Geological Success GPOS: **1.2%**

Economic Criteria

No economic minima applied







Hummocky_OIL

Country:	**Australia**	Prospect/Field:	**Hummocky_OIL**
State:		Reservoir:	
Block:	**SEL 13/1998**	Hydrocarbons:	**Oil**
Basin:	**XXX**	Prospect class:	
Play:	**XXX**	Reserve class:	**Unspecified**
Licence:	**XXX**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
		Terrain:	
Exploration Interest:	**100.00**	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV	Oil-in-Place	Total Rec. Oil	
	Whole Trap acre-ft	Whole Trap mmstb	Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**162606**	**22.4**	**5.40**	**5.40**
P50:	**733675**	**115**	**29.8**	**29.8**
P10:	**2774329**	**501**	**138**	**138**
Mean:	**1201071**	**213**	**58.4**	**58.4**
Risked mean:			**0.717**	**0.717**

Chance of Geological Success GPOS: **1.2%**

Overall Chance of Success EPOS **1.2%**

Comments:

Hummocky_OIL

REP for Windows

Country:	**Australia**	Name:	**Hummocky_OIL**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.736	4.00	14.1	50.0	[50.0]	5.36
Thickness	m	Lognor	15.0	50.0	122	300	997	75.1
Shape factor	%	Normal	36.6	50.0	60.0	70.0	83.4	60.0
Deg. of fill	%	Rect	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

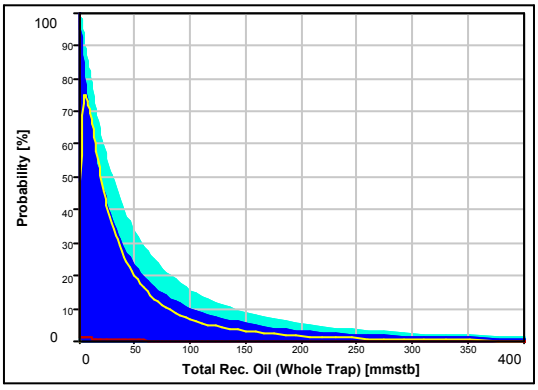
Risk Factors

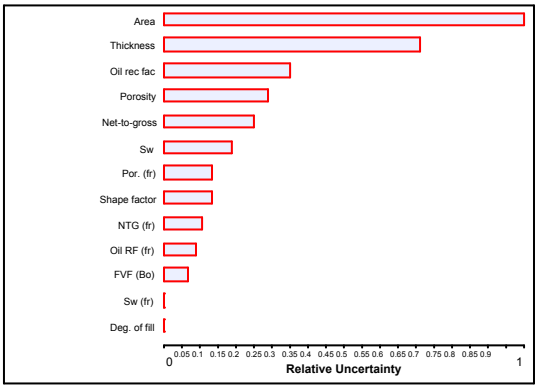
Play Chance:	**16%**	Prospect Specific Chance:	**7.7%**
Reservoir:	64%	Trap:	40%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	40%
		Charge:	80%

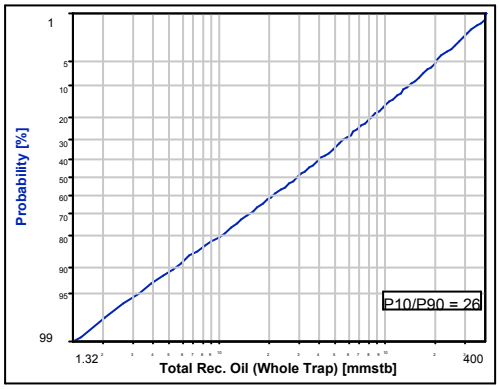
Chance of Geological Success GPOS: **1.2%**

Economic Criteria

No economic minima applied







Cressy_OIL

Country:	**Australia**	Prospect/Field:	**Cressy_OIL**
State:		Reservoir:	
Block:	**SEL 13/1998**	Hydrocarbons:	**Oil**
Basin:	**XXX**	Prospect class:	
Play:	**XXX**	Reserve class:	**Unspecified**
Licence:	**XXX**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
		Terrain:	
Exploration Interest:	**100.00**	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV	Oil-in-Place	Total Rec. Oil	
	Whole Trap acre-ft	Whole Trap mmstb	Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**95920**	**12.5**	**2.97**	**2.97**
P50:	**299686**	**47.9**	**12.3**	**12.3**
P10:	**929492**	**172**	**47.5**	**47.5**
Mean:	**440961**	**78.1**	**21.4**	**21.4**
Risked mean:			**0.247**	**0.247**

Chance of Geological Success GPOS: **1.2%**
Overall Chance of Success EPOS **1.2%**

Comments:

Cressy_OIL

REP for Windows

Country:	**Australia**	Name:	**Cressy_OIL**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.987	2.50	5.00	10.0	25.3	3.73
Thickness	m	Lognor	15.0	50.0	122	300	997	75.1
Shape factor	%	Normal	36.6	50.0	60.0	70.0	83.4	60.0
Deg. of fill	%	Rect	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

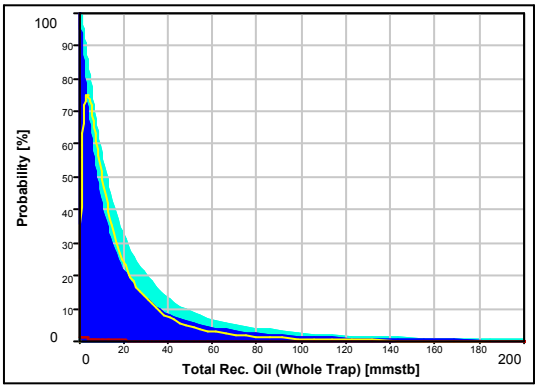
Risk Factors

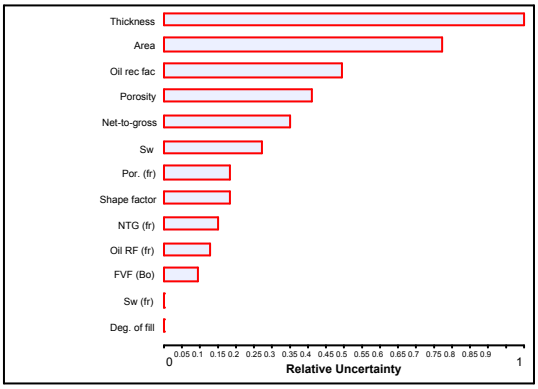
Play Chance:	**16%**	Prospect Specific Chance:	**7.2%**
Reservoir:	64%	Trap:	50%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	30%
		Charge:	80%

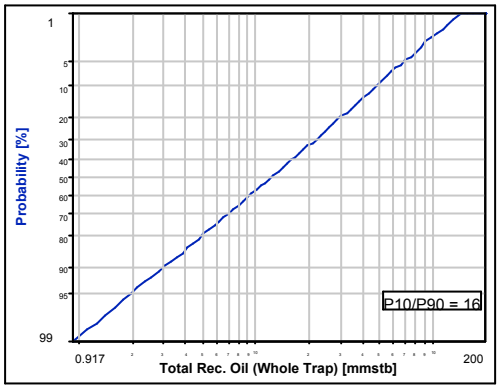
Chance of Geological Success GPOS: **1.2%**

Economic Criteria

No economic minima applied







Butlers_Rise_OIL

Country:	Australia	Prospect/Field:	Butlers_Rise_OIL
State:		Reservoir:	
Block:	SEL 13/1998	Hydrocarbons:	Oil
Basin:	XXX	Prospect class:	
Play:	XXX	Reserve class:	Unspecified
Licence:	XXX	On/offshore:	
Production Interest:	100.00	Depth datum:	
		Terrain:	
Exploration Interest:	100.00	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	39079	8.62	1.83	1.83
P50:	273015	55.1	13.7	13.7
P10:	947977	229	62.6	62.6
Mean:	397178	93.6	25.0	25.0
Risked mean:			0.192	0.192

Chance of Geological Success GPOS: 0.77%

Overall Chance of Success EPOS 0.77%

Comments:

Butlers_Rise_OIL

REP for Windows

Country:	**Australia**	Name:	**Butlers_Rise_OIL**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.0912	2.00	20.0	200	[40.0]	0.793
Thickness	m	Lognor	31.4	50.0	70.7	100	159	65.7
Shape factor	%	Normal	43.3	50.0	55.0	60.0	66.7	55.0
Deg. of fill	%	Rect	100	100	100	100	100	100
Net-to-gross	%	Normal	3.18	30.0	50.0	70.0	96.8	50.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

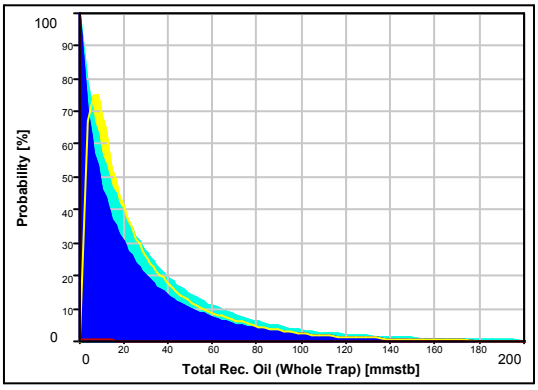
Risk Factors

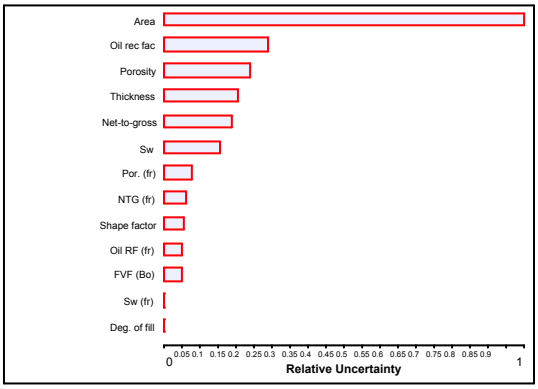
Play Chance:	**16%**	Prospect Specific Chance:	**4.8%**
Reservoir:	64%	Trap:	50%
Source:	25%	Reservoir:	48%
Regional Seal:	100%	Seal:	25%
		Charge:	80%

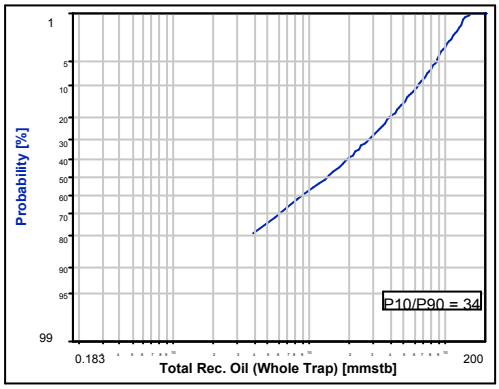
Chance of Geological Success GPOS: **0.77%**

Economic Criteria

No economic minima applied







Interlaken_OIL

Country:	**Australia**	Prospect/Field:	**Interlaken_OIL**
State:		Reservoir:	
Block:	**SEL 13/1998**	Hydrocarbons:	**Oil**
Basin:	**XXX**	Prospect class:	
Play:	**XXX**	Reserve class:	**Unspecified**
Licence:	**XXX**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
		Terrain:	
Exploration Interest:	**100.00**	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**49902**	**7.17**	**1.85**	**1.85**
P50:	**229077**	**39.7**	**10.0**	**10.0**
P10:	**697383**	**144**	**39.6**	**39.6**
Mean:	**311465**	**61.2**	**16.6**	**16.6**
Risked mean:			**0.0786**	**0.0786**

Chance of Geological Success GPOS: **0.47%**
Overall Chance of Success EPOS **0.47%**

Comments:

Interlaken_OIL

REP for Windows

Country:	**Australia**	Name:	**Interlaken_OIL**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.231	2.00	10.0	50.0	[30.0]	2.07
Thickness	m	Lognor	31.4	50.0	70.7	100	159	65.7
Shape factor	%	Normal	43.3	50.0	55.0	60.0	66.7	55.0
Deg. of fill	%	Rect	100	100	100	100	100	100
Net-to-gross	%	Normal	3.18	30.0	50.0	70.0	96.8	50.0
Porosity	%	Normal	[0]	4.00	8.00	12.0	17.4	8.00
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

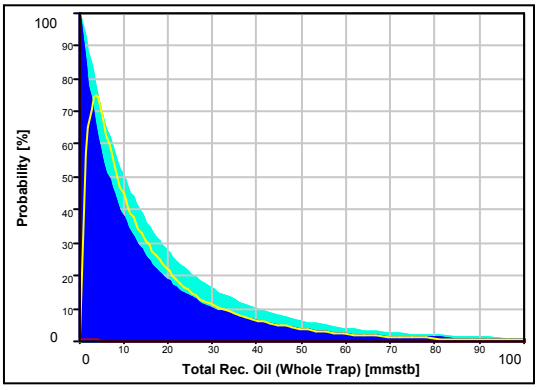
Risk Factors

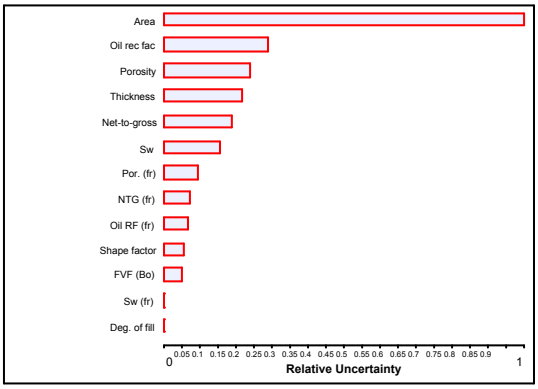
Play Chance:	**16%**	Prospect Specific Chance:	**3.0%**
Reservoir:	64%	Trap:	28%
Source:	25%	Reservoir:	48%
Regional Seal:	100%	Seal:	28%
		Charge:	80%

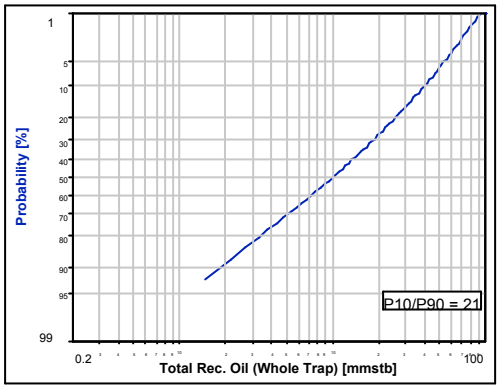
Chance of Geological Success GPOS: **0.47%**

Economic Criteria

No economic minima applied







Thunderbolt_OIL_DLS

Country:	Australia	Prospect/Field:	Thunderbolt_OIL_DLS
State:		Reservoir:	
Block:	SEL 13/1998	Hydrocarbons:	Oil
Basin:	XXX	Prospect class:	
Play:	XXX	Reserve class:	Unspecified
Licence:	XXX	On/offshore:	
Production Interest:	100.00	Depth datum:	
		Terrain:	
Exploration Interest:	100.00	Facilities @:	km
		Target depth:	m
Operator:			

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	1211099	49.5	12.0	12.0
P50:	2630954	206	53.4	53.4
P10:	5625606	717	198	198
Mean:	3125457	322	88.1	88.1
Risked mean:			0.634	0.634

Chance of Geological Success GPOS: 0.72%

Overall Chance of Success EPOS 0.72%

Comments:

Thunderbolt_OIL_DLS

REP for Windows

Country:	**Australia**	Name:	**Thunderbolt_OIL_DLS**
Block:	**SEL 13/1998**	Segment:	**4-way closure**
Basin:	**XXX**		
Play:	**XXX**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	3.30	8.00	15.5	30.0	72.8	11.9
Thickness	m	Lognor	213	300	387	500	704	372
Shape factor	%	Normal	19.9	40.0	55.0	70.0	90.1	55.0
Deg. of fill	%	Rect	10.0	19.0	55.0	91.0	100	55.0
Net-to-gross	%	Normal	[0]	20.0	50.0	80.0	[100]	50.0
Porosity	%	Normal	[0]	4.00	9.00	14.0	20.7	9.00
Sw	%	Normal	3.18	30.0	50.0	70.0	96.8	50.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	0.566	0.700	0.800	0.900	1.03	0.800
FVF (Bo)	vol/vol	Normal	0.966	1.10	1.20	1.30	1.43	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

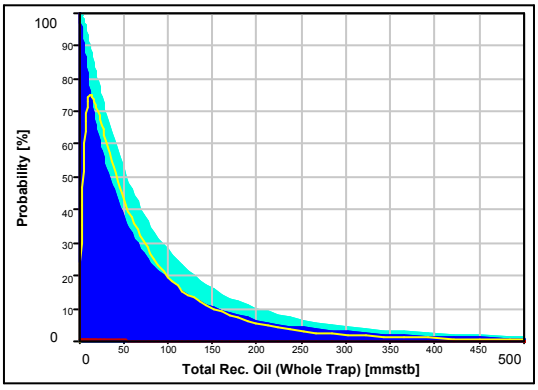
Risk Factors

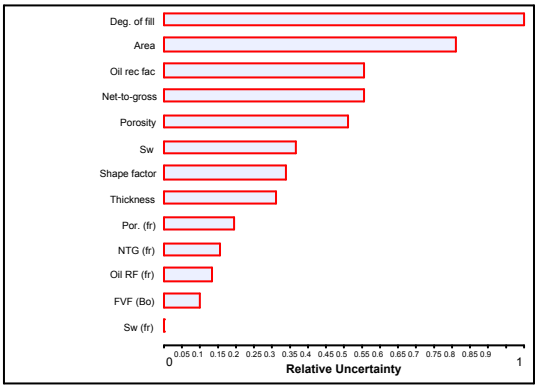
Play Chance:	**12%**	Prospect Specific Chance:	**6.0%**
Reservoir:	48%	Trap:	50%
Source:	25%	Reservoir:	60%
Regional Seal:	100%	Seal:	25%
		Charge:	80%

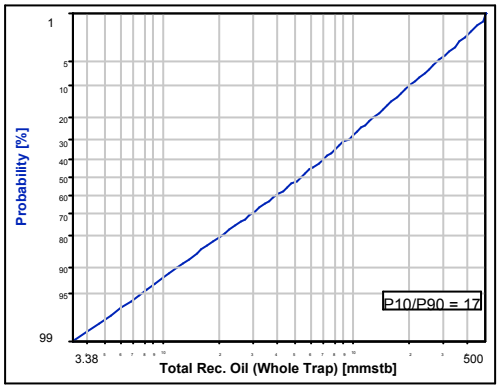
Chance of Geological Success GPOS: **0.72%**

Economic Criteria

No economic minima applied







Stockwell

Country:	**Australia**	Prospect/Field:	**Stockwell**
State:	**Tasmania**	Reservoir:	**Post Permian**
Block:	**SEL 13/98**	Hydrocarbons:	**Oil**
Basin:	**Tasmania**	Prospect class:	**Frontier**
Play:	**Post Permian**	Reserve class:	**Lead**
Licence:	**SEL 13/98**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
Exploration Interest:	**100.00**	Terrain:	**Mountainous**
Operator:	**GSLM**	Facilities @:	km
		Target depth:	m

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**118853**	**9.97**	**2.00**	**2.00**
P50:	**250228**	**31.5**	**7.40**	**7.40**
P10:	**516177**	**87.6**	**23.6**	**23.6**
Mean:	**292920**	**42.3**	**11.0**	**11.0**
Risked mean:			**0.0827**	**0.0827**

Chance of Geological Success GPOS: **0.75%**
Overall Chance of Success EPOS **0.75%**

Comments:

REP file: t:\active\gsl-1224_cpr_update\volumetrics\stockwell.ppr
Author: User Name Date: 18/08/08 Appraiser: Reference:

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Stockwell

REP for Windows

Country:	**Australia**	Name:	**Stockwell**
Block:	**SEL 13/98**	Segment:	
Basin:	**Tasmania**		
Play:	**Post Permian**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.711	1.80	3.60	7.20	18.2	2.69
Thickness	m	Lognor	75.2	99.2	122	150	198	119
Shape factor	%	Triang	60.0	64.5	70.0	75.5	80.0	70.0
Deg. of fill	%	Single	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	56.6	70.0	80.0	90.0	[100]	80.0
FVF (Bo)	vol/vol	Triang	1.02	1.10	1.20	1.30	1.38	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

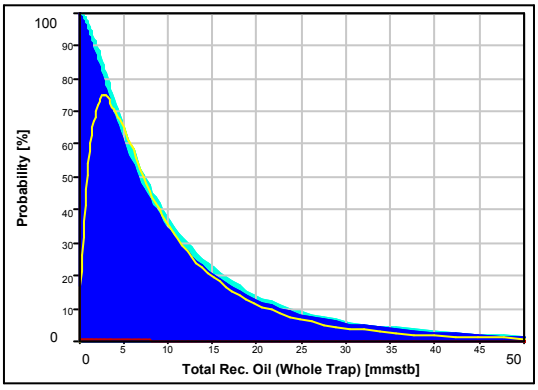
Risk Factors

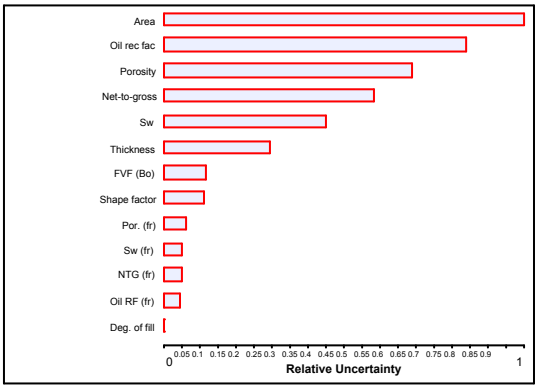
Play Chance:	**16%**	Prospect Specific Chance:	**4.7%**
Reservoir:	64%	Trap:	49%
Source:	25%	Reservoir:	50%
Regional Seal:	100%	Seal:	32%
		Charge:	60%

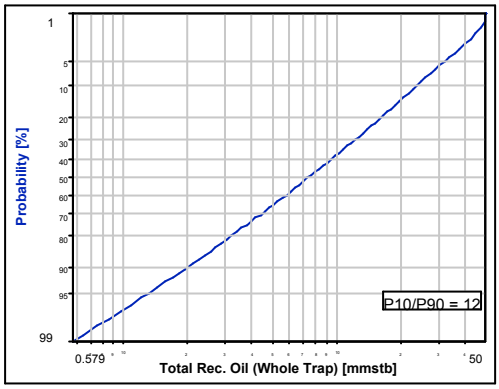
Chance of Geological Success GPOS: **0.75%**

Economic Criteria

No economic minima applied







Steppes

Country:	**Australia**	Prospect/Field:	**Steppes**
State:	**Tasmania**	Reservoir:	**Post Permian**
Block:	**SEL 13/98**	Hydrocarbons:	**Oil**
Basin:	**Tasmania**	Prospect class:	**Frontier**
Play:	**Post Permian**	Reserve class:	**Lead**
Licence:	**SEL 13/98**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
Exploration Interest:	**100.00**	Terrain:	**Mountainous**
Operator:	**GSLM**	Facilities @:	km
		Target depth:	m

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**115238**	**9.74**	**1.96**	**1.96**
P50:	**249478**	**31.3**	**7.39**	**7.39**
P10:	**528192**	**89.2**	**24.0**	**24.0**
Mean:	**295314**	**42.6**	**11.1**	**11.1**
Risked mean:			**0.142**	**0.142**

Chance of Geological Success GPOS: **1.3%**
Overall Chance of Success EPOS **1.3%**

Comments:

REP file: t:\active\gsl-1224_cpr_update\volumetrics\steppes.ppr
Author: User Name Date: 12/08/08 Appraiser: Reference:

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Steppes

Country:	**Australia**	Name:	**Steppes**
Block:	**SEL 13/98**	Segment:	
Basin:	**Tasmania**		
Play:	**Post Permian**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	1.68	4.25	8.50	17.0	43.1	6.34
Thickness	m	Lognor	30.6	45.0	60.0	80.0	118	57.1
Shape factor	%	Triang	50.0	54.5	60.0	65.5	70.0	60.0
Deg. of fill	%	Single	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	56.6	70.0	80.0	90.0	[100]	80.0
FVF (Bo)	vol/vol	Triang	1.02	1.10	1.20	1.30	1.38	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

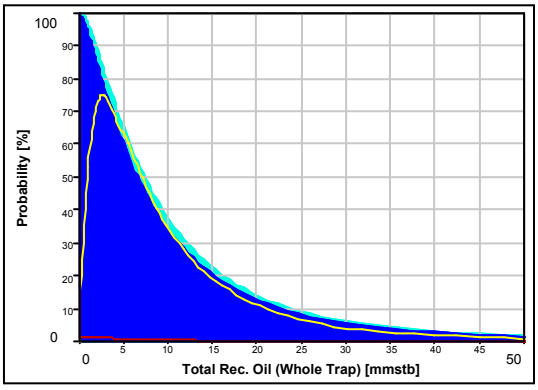
Risk Factors

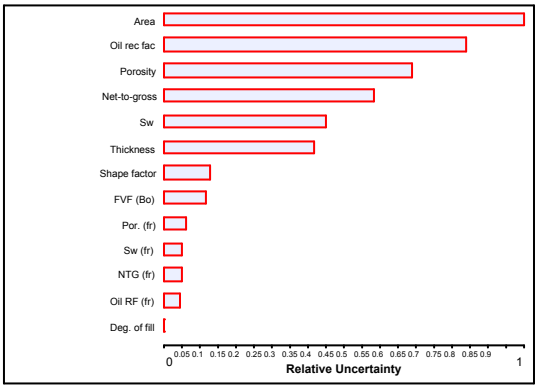
Play Chance:	**16%**	Prospect Specific Chance:	**8.0%**
Reservoir:	64%	Trap:	45%
Source:	25%	Reservoir:	50%
Regional Seal:	100%	Seal:	60%
		Charge:	60%

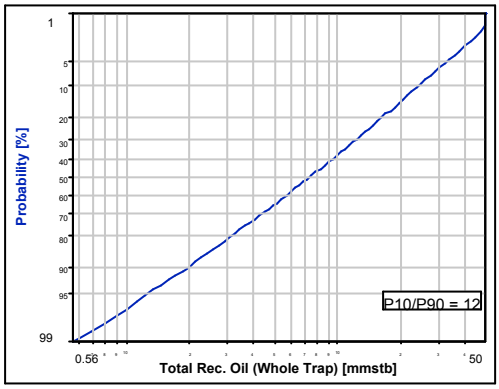
Chance of Geological Success GPOS: **1.3%**

Economic Criteria

No economic minima applied







Quamby Fault Block

Country:	**Australia**	Prospect/Field:	**Quamby Fault Block**
State:	**Tasmania**	Reservoir:	**Post Permian**
Block:	**SEL 13/98**	Hydrocarbons:	**Oil**
Basin:	**Tasmania**	Prospect class:	**Frontier**
Play:	**Post Permian**	Reserve class:	**Lead**
Licence:	**SEL 13/98**	On/offshore:	
Production Interest:	**100.00**	Depth datum:	
Exploration Interest:	**100.00**	Terrain:	**Mountainous**
Operator:	**GSLM**	Facilities @:	km
		Target depth:	m

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	**23787**	**2.01**	**0.405**	**0.405**
P50:	**51396**	**6.45**	**1.52**	**1.52**
P10:	**108720**	**18.3**	**4.95**	**4.95**
Mean:	**60798**	**8.78**	**2.28**	**2.28**
Risked mean:			**0.0144**	**0.0144**

Chance of Geological Success GPOS: **0.63%**
Overall Chance of Success EPOS **0.63%**

Comments:

Quamby Fault Block

Country:	**Australia**	Name:	**Quamby Fault Block**
Block:	**SEL 13/98**	Segment:	
Basin:	**Tasmania**		
Play:	**Post Permian**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	0.296	0.750	1.50	3.00	7.60	1.12
Thickness	m	Lognor	30.6	45.0	60.0	80.0	118	57.1
Shape factor	%	Triang	60.0	64.5	70.0	75.5	80.0	70.0
Deg. of fill	%	Single	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	56.6	70.0	80.0	90.0	[100]	80.0
FVF (Bo)	vol/vol	Triang	1.02	1.10	1.20	1.30	1.38	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

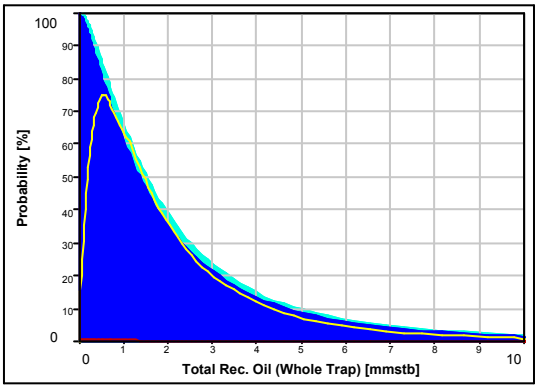
Risk Factors

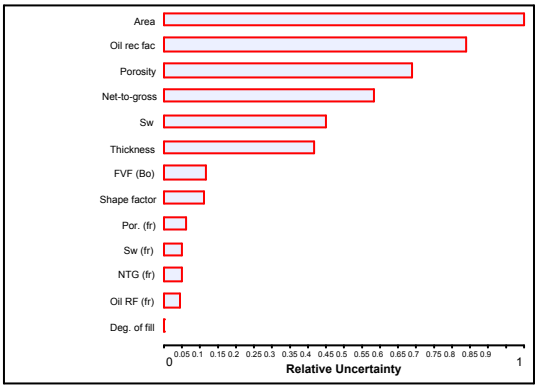
Play Chance:	**16%**	Prospect Specific Chance:	**4.0%**
Reservoir:	64%	Trap:	30%
Source:	25%	Reservoir:	50%
Regional Seal:	100%	Seal:	44%
		Charge:	60%

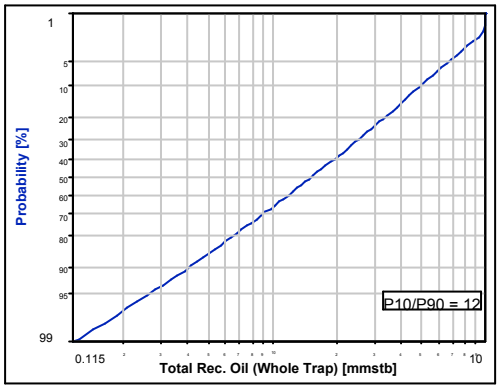
Chance of Geological Success GPOS: **0.63%**

Economic Criteria

No economic minima applied







Nile River

Country:	Australia	Prospect/Field:	Nile River
State:	Tasmania	Reservoir:	Post Permian
Block:	SEL 13/98	Hydrocarbons:	Oil
Basin:	Tasmania	Prospect class:	Frontier
Play:	Post Permian	Reserve class:	Lead
Licence:	SEL 13/98	On/offshore:	
Production Interest:	100.00	Depth datum:	
Exploration Interest:	100.00	Terrain:	Mountainous
Operator:	GSLM	Facilities @:	km
		Target depth:	m

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	208121	17.6	3.52	3.52
P50:	445118	56.0	13.1	13.1
P10:	931294	157	42.4	42.4
Mean:	524174	75.7	19.7	19.7
Risked mean:			0.159	0.159

Chance of Geological Success GPOS: 0.81%

Overall Chance of Success EPOS 0.81%

Comments:

Nile River

Country:	**Australia**	Name:	**Nile River**
Block:	**SEL 13/98**	Segment:	
Basin:	**Tasmania**		
Play:	**Post Permian**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	1.22	3.15	6.40	13.0	33.6	4.71
Thickness	m	Lognor	75.2	99.2	122	150	198	119
Shape factor	%	Triang	60.0	64.5	70.0	75.5	80.0	70.0
Deg. of fill	%	Single	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	56.6	70.0	80.0	90.0	[100]	80.0
FVF (Bo)	vol/vol	Triang	1.02	1.10	1.20	1.30	1.38	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

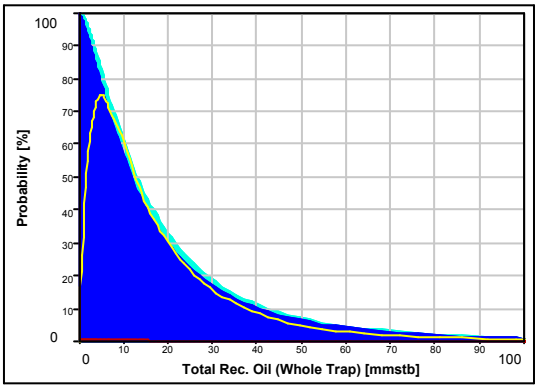
Risk Factors

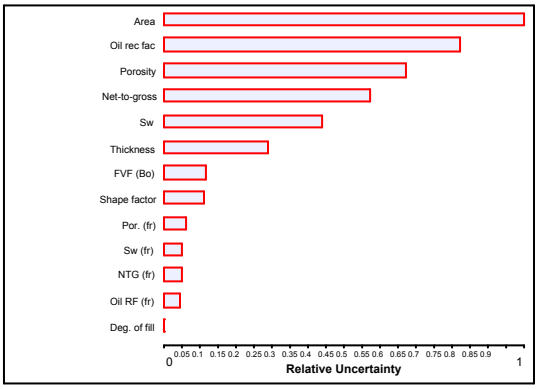
Play Chance:	**16%**	Prospect Specific Chance:	**5.1%**
Reservoir:	64%	Trap:	33%
Source:	25%	Reservoir:	50%
Regional Seal:	100%	Seal:	52%
		Charge:	60%

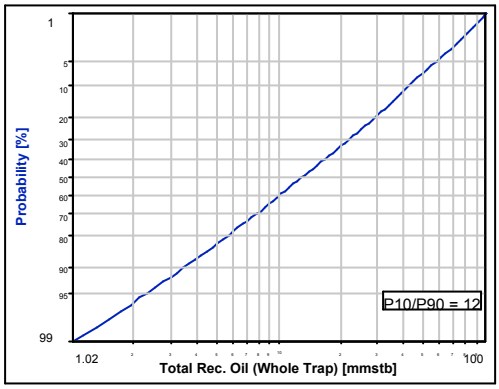
Chance of Geological Success GPOS: **0.81%**

Economic Criteria

No economic minima applied







Macquarie River

Country:	Australia	Prospect/Field:	Macquarie River
State:	Tasmania	Reservoir:	Post Permian
Block:	SEL 13/98	Hydrocarbons:	Oil
Basin:	Tasmania	Prospect class:	Frontier
Play:	Post Permian	Reserve class:	Lead
Licence:	SEL 13/98	On/offshore:	
Production Interest:	100.00	Depth datum:	
Exploration Interest:	100.00	Terrain:	Mountainous
Operator:	GSLM	Facilities @:	km
		Target depth:	m

Summary of Results

	GRV Whole Trap acre-ft	Oil-in-Place Whole Trap mmstb	Total Rec. Oil Whole Trap mmstb	NRI mmstb
Technically successful				
P90:	208121	17.6	3.52	3.52
P50:	445118	56.0	13.1	13.1
P10:	931294	157	42.4	42.4
Mean:	524174	75.7	19.7	19.7
Risked mean:			0.113	0.113

Chance of Geological Success GPOS: 0.58%

Overall Chance of Success EPOS 0.58%

Comments:

Macquarie River

Country:	**Australia**	Name:	**Macquarie River**
Block:	**SEL 13/98**	Segment:	
Basin:	**Tasmania**		
Play:	**Post Permian**	Hydrocarbons:	**Oil**

Input Data

Variable	Unit	Shape	min	P90	P50	P10	max	mode
Area	km2	Lognor	1.22	3.15	6.40	13.0	33.6	4.71
Thickness	m	Lognor	75.2	99.2	122	150	198	119
Shape factor	%	Triang	60.0	64.5	70.0	75.5	80.0	70.0
Deg. of fill	%	Single	100	100	100	100	100	100
Net-to-gross	%	Normal	[0]	20.0	35.0	50.0	70.1	35.0
Porosity	%	Normal	[0]	5.00	10.0	15.0	21.7	10.0
Sw	%	Normal	[0]	20.0	40.0	60.0	86.8	40.0
NTG (fr)	%	Normal	[0]	26.0	50.0	74.0	[100]	50.0
Por. (fr)	%	Normal	[0]	0.500	1.25	2.00	3.01	1.25
Sw (fr)	%	Normal	56.6	70.0	80.0	90.0	[100]	80.0
FVF (Bo)	vol/vol	Triang	1.02	1.10	1.20	1.30	1.38	1.20
Oil rec fac	%	Normal	[0]	10.0	25.0	40.0	60.1	25.0
Oil RF (fr)	%	Triang	10.0	20.0	32.6	47.8	60.0	30.0

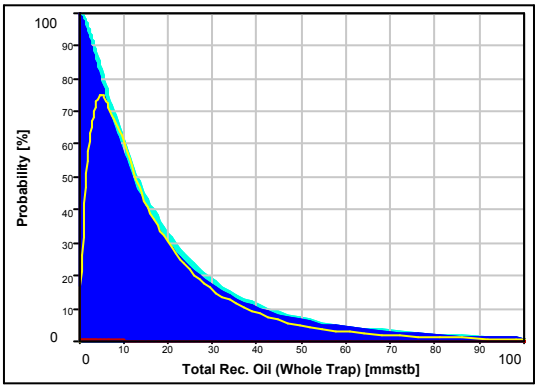
Risk Factors

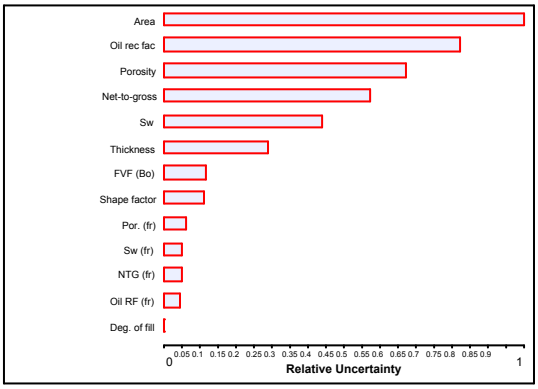
Play Chance:	**16%**	Prospect Specific Chance:	**3.6%**
Reservoir:	64%	Trap:	30%
Source:	25%	Reservoir:	50%
Regional Seal:	100%	Seal:	40%
		Charge:	60%

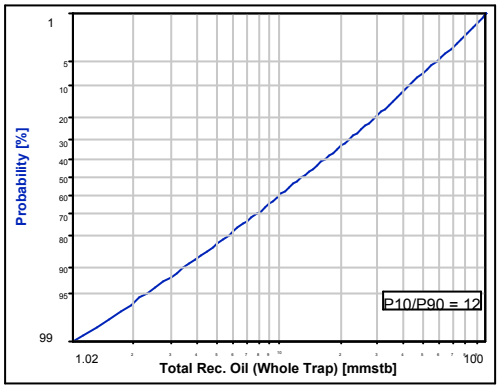
Chance of Geological Success GPOS: **0.58%**

Economic Criteria

No economic minima applied







APPENDIX P

RPS Energy - 2009

Economic Evaluation of the Bellevue and Thunderbolt Prospects in SEL-13/98, Australia

Economic Evaluation of the Bellevue and Thunderbolt Prospects in SEL-13/98, Australia

Prepared for Great South Land Minerals Limited

Date: Dec 2009

RPS Energy Pty Limited

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Economic Evaluation of the Bellevue and Thunderbolt Prospects in SEL-13/98, Australia

Prepared for Great South Land Minerals Limited

DISCLAIMER

The opinions and interpretations presented in this report represent our best technical interpretation of the data made available to us. However, due to the uncertainty inherent in the estimation of all sub-surface parameters, we cannot, and do not guarantee the accuracy or correctness of any interpretation and we shall not, except in the case of gross or wilful negligence on our part, be liable or responsible for any loss, cost damages or expenses incurred or sustained by anyone resulting from any interpretation made by any of our officers, agents or employees.

Except for the provision of professional services on a fee basis, RPS Energy Pty Limited does not have a commercial arrangement with any other person or company involved in the interests that are the subject of this report.

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This report relates specifically and solely to the subject assets and is conditional upon various assumptions that are described herein. This report must, therefore, be read in its entirety.

This report was provided for the sole use of Great South Land Minerals Limited on a fee basis. Except with permission from RPS Energy Pty Limited, this report may not be reproduced or redistributed, in whole or in part, to any other person or published, in whole or in part, for any purpose without the express written consent of RPS Energy Pty Limited.

Our estimates of potential reserves, resources, un-risked and risked values are based on data provided by Great South Land Minerals Limited. We have accepted, without independent verification, the accuracy and completeness of these data.

All interpretations and conclusions presented herein are opinions based on inferences from geological, geophysical, engineering or other data. The report represents RPS's best professional judgment and should not be considered a guarantee of results. Our liability is limited solely to Great South Land Minerals Limited.

	REPORT TITLE: Economic Evaluation of the Bellevue and Thunderbolt Prospects in SEL-13/98, Australia		
DATE	**22 Dec 2009**	**PROJECT REFERENCE:**	ACI02813
	PREPARED:	**CHECKED:**	**APPROVED:**
NAME	**Otto Aristeguieta**	**Prady Chaliha**	**David Guise**
SENT	**EDITION**	**DESCRIPTION**	**COMMENT**
22/12/2009	**Rev. 0**	**Final**	**For Issue to Client**
18/12/2009	**Rev. C**	**Draft**	**For Client Review**
14/12/2009	**Rev. B**	**Draft**	**For Internal Review**

22 December 2009

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1. EXECUTIVE SUMMARY

Great South Land Minerals Limited (GSLM), a wholly owned subsidiary of Empire Energy Corporation, requested that RPS Energy (RPS) provide an economic valuation of the Bellevue and Thunderbolt Prospects located in Special Exploration Licence SEL 13/98, Tasmania.

GSLM holds 100% interest in the Special Exploration Licence SEL 13/98 which covers a portion of the Tasmania Basin. The permit area is approximately 15,410 square kilometres and covers approximately 25% of the island of Tasmania. SEL 13/98 expired on the 30th of September 2009. GSLM have advised RPS that a five year renewal of the exploration licence has been submitted and is likely to be granted. The new exploration licence will be called EL 14/2009. No petroleum wells have been drilled in the permit area to date.

The valuation presented in this report adopts an Expected Monetary Value (EMV) approach using a probability tree methodology to model the range of possible outcomes for the assumed developments. The conceptual development plan and corresponding production forecast were generated by GSLM based on the mean case Prospective Resource volumes reported by RPS in "Competent Persons Report on Assets of Great South Land Minerals Limited, Tasmania" dated 23rd October 2008[1,2]. RPS has reviewed these profiles and believes they are reasonable based on the un-risked mean Prospective Resource volumes.

The capital and operating cost were generated by RPS using "QUE$TOR"™, a cost and technical database covering all the producing regions of the world. When available, cost data specific to the asset in question was used. The calculated base case and commodity price sensitivities with corresponding EMV's for Special Exploration Licence SEL 13/98 is presented in Table 1.

Special Exploration Licence SEL 13/98 Bellevue and Thunderbolt Prospects	EMV10 (US$ million)
Base Case Oil: US$83.75/bbl	50.9
	Oil Price Sensitivities: EMV10 (US$ million)
Low Case Oil: US$65/bbl	24.5
High Case Oil: US$110/bbl	87.7

Table 1 – Calculated EMV10 of the Bellevue and Thunderbolt Prospects, as of 1 December 2009

[1] Great South Land Minerals Limited, 22nd December 2009; "Bellevue Prospect PoD Rev1"

[2] Great South Land Minerals Limited, 22nd December 2009; "Thunderbolt Prospect PoD Rev1"

2. ECONOMIC VALUATION

2.1 Methodology

The valuation presented in this report adopts an Expected Monetary Value (EMV) approach using a probability tree methodology to model the range of possible outcomes for the assumed developments.

Each prospect has two initial possible outcomes, success or failure. The chance of success (COS) is equal to the prospect specific Geological Probability of Success (GPoS). In PRMS this is referred to as the Chance of Discovery. The chance of failure (dry hole) is therefore always equal to (1 – COS).

Discrete production and cost profiles were generated for the mean success case resources for each of the prospects evaluated. These discrete cases were then used to estimate the value of the success case of each prospect. This value is assumed to be the Net Present Value of the cash flow associated with each prospect using a ten percent discount rate. The evaluation includes failure cases that are represented by the discounted value of total exploration commitment related to each of the prospects evaluated.

Additionally, the probability tree approach allows the inclusion of partial dependencies between prospects within the same basin. As a result, in addition to the prospect specific chance of success, an overall "play" chance of success that represents the existence of an oil play in the area under study has been also included in the evaluation. Figure 1 displays the probability used to estimate the value of the Bellevue and Thunderbolt Prospects.

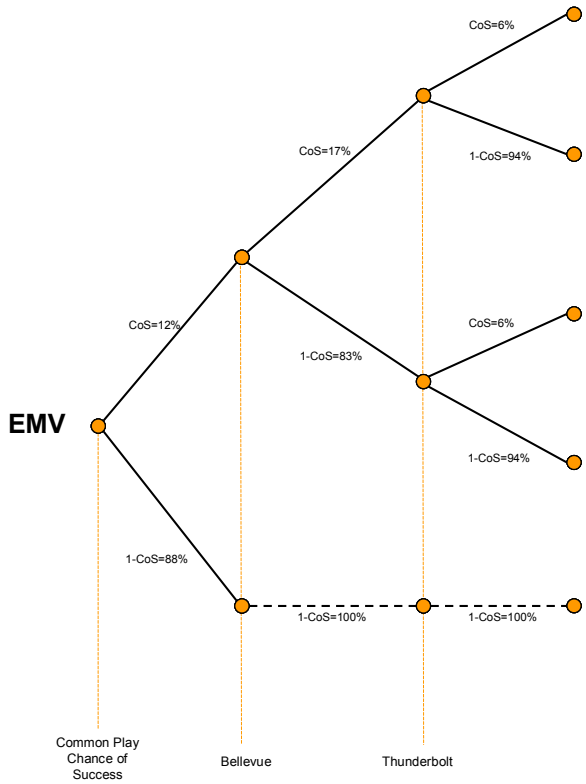

Figure 1 – Probability Tree Used to Estimate the EMV of the Bellevue and Thunderbolt Prospects

2.2 General Economic Assumptions

2.2.1 Evaluation date and discount rate

All net cash flows have been discounted at a rate of 10% (nominal) per year. The valuation date is 1 December 2009.

2.2.2 Pricing Assumptions

The valuation is based on RPS's view of the long term forecast for Brent Crude as shown in Figure 2. It is assumed that all crude is sold with no discount to the Brent Price. The base price case assumes a six year forward curve and US$83.75 per barrel flat real thereafter. The low price case and high price case assume a five year forward curves, US$65 per barrel and US$110 per barrel flat real thereafter, respectively. All crude price estimates had been escalated at 2% per annum (Figure 3).

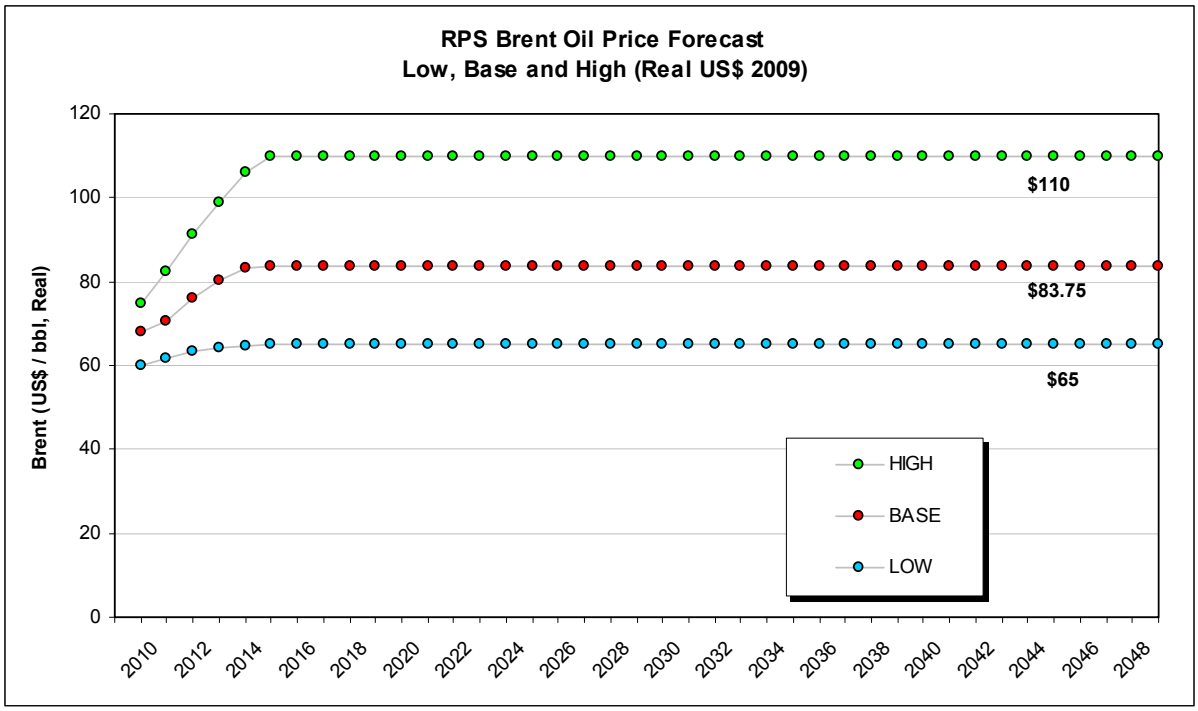

Figure 2 – RPS Brent Crude Price Forecast in Real Terms

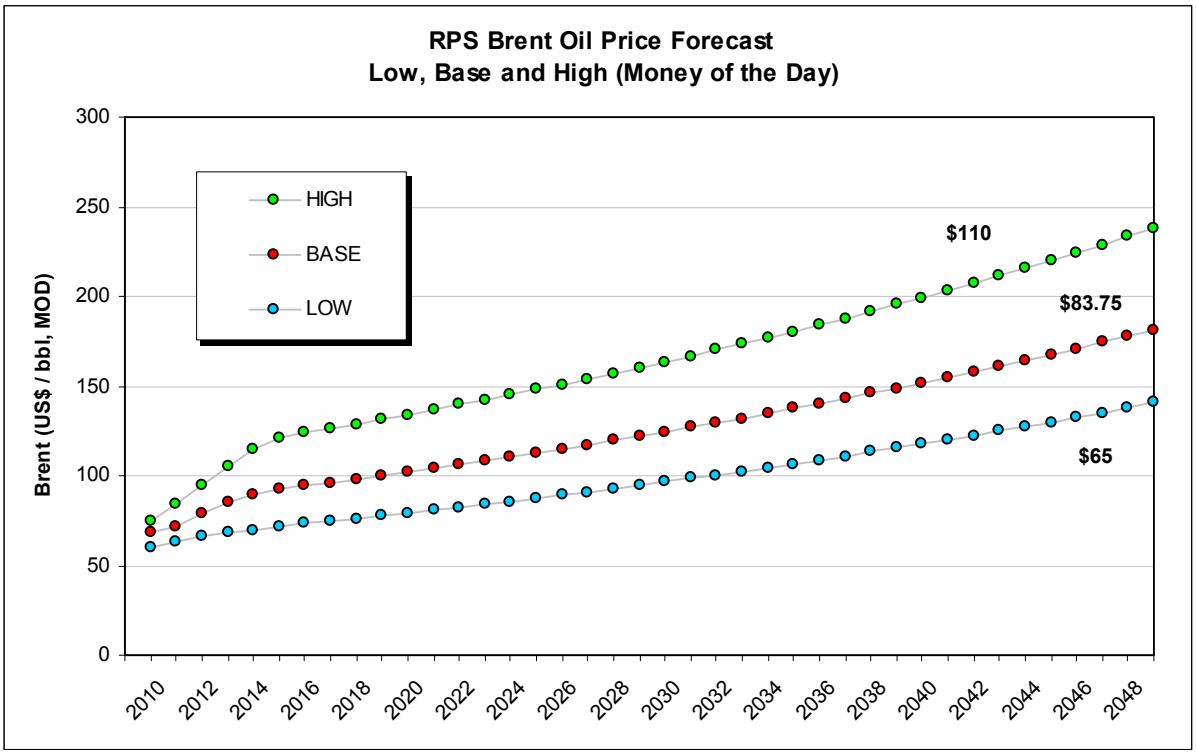

Figure 3 – RPS Brent Crude Price Forecast in Nominal Terms

2.2.3 Inflation

An annual inflation of 2.5% has been built into the valuation. This inflation rate has been applied to all cost estimates to adjust them to Money of the Day (MOD) terms.

2.2.4 Fiscal terms

The fiscal terms included in the evaluation are as follows:

Royalty:

- 12% of gross revenue.

Corporate Tax:

- 30% of taxable income.
- Taxable income assumes 15 year straight line depreciation for capital costs.
- It is assumed that excise tax is deducted from the corporate tax taxable income.

Excise Tax:

- Applicable on a field basis.
- First 30 MMstb of crude oil exempt from excise tax.
- Excise Rate applicable to gross revenue on an incremental sliding scale basis as shown in Table 2.

Annual Production MMstb			Excise Rate
0.000	to	0.315	0%
0.315	to	0.629	0%
0.629	to	1.259	0%
1.259	to	1.888	0%
1.888	to	2.517	0%
2.517	to	3.146	0%
3.146	to	3.776	10%
3.776	to	4.405	15%
4.405	to	5.034	20%
	>	5.034	30%

Table 2 – Excise Tax Rates

2.3 Development Assumptions

The conceptual development plan and corresponding production forecast were generated by Great South Land Minerals Limited based on the mean case Prospective Resource volumes reported by RPS in "Competent Persons Report on Assets of Great South Land Minerals Limited, Tasmania" dated 23rd October 2008. RPS has reviewed these profiles and believes they are reasonable based on the un-risked mean Prospective Resource volumes.

2.3.1 Bellevue Assumptions

The Bellevue Prospect contains a Mean Case Prospective Resource volume of 359 MMstb (un-risked) in the Upper and Lower Units of the Gordon Limestone. Assuming the Bellevue Prospect contains a medium gravity crude of approximately 30 deg API with a moderate water drive, an average drainage area per well is expected to be 40 acres. Therefore, using the mean area of the reservoir of 58 sq km, 360 vertical wells are required to drain the reservoir, equivalent to 1.0 MMstb per well.

Initial production rate per well is expected to be 910 stb/day declining at 30% per annum with a 10% downtime. This will recover the Prospective Resource volume in less than 30 years. An average gas-oil ratio of 200 scf/stb is assumed over the life of the project. This gas will be utilised as fuel gas to power facilities and artificial lift and remain cash neutral over the life of the project. The average field production rate and wells drilled is illustrated in Figure 4.

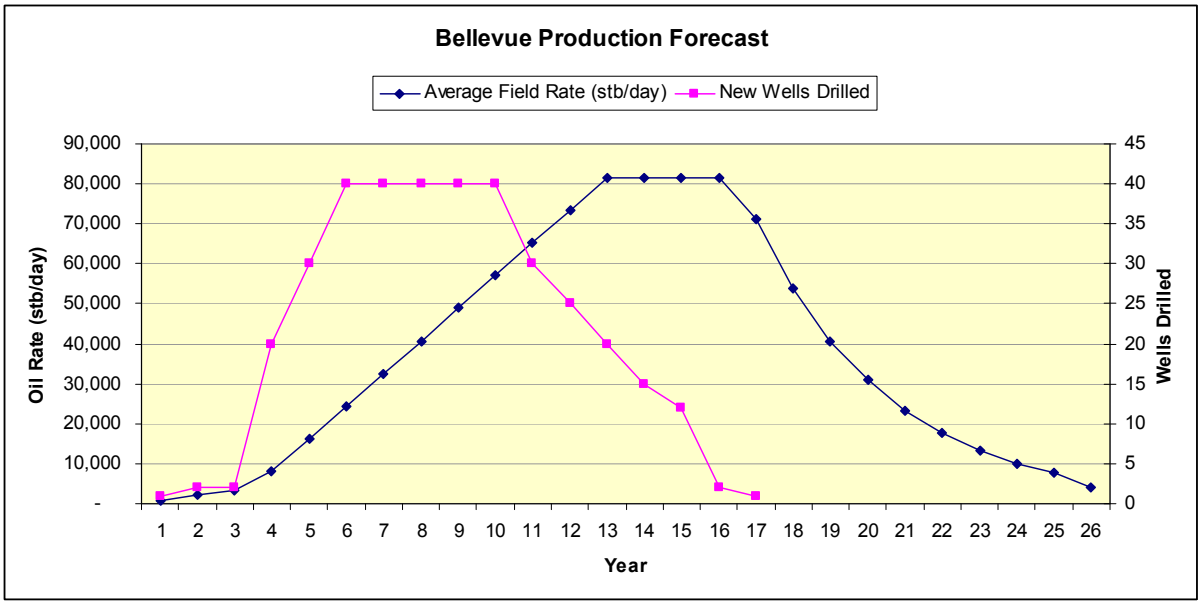

Figure 4 – Bellevue Production Forecast

2.3.2 Thunderbolt Assumptions

The Thunderbolt Prospect contains a Mean Case Prospective Resource volume of 88 MMstb in the Gordon Limestone. Assuming the Thunderbolt Prospect contains a medium gravity crude of approximately 30 deg API with a moderate water drive, an average drainage area per well is expected to be 40 acres. Therefore, using the mean area of the reservoir of 12 sq km, 74 vertical wells are required to drain the reservoir, equivalent to 1.2 MMstb per well.

Initial production rate per well is expected to be 875 stb/day declining at 24% per annum with a 10% downtime. This will recover the Prospective Resource volume in less than 30 years. An average gas-oil ratio of 200 scf/stb is assumed over the life of the project. This gas will be utilised as fuel gas to power facilities and artificial lift and remain cash neutral over the life of the project. The average field production rate and wells drilled is illustrated in Figure 5.

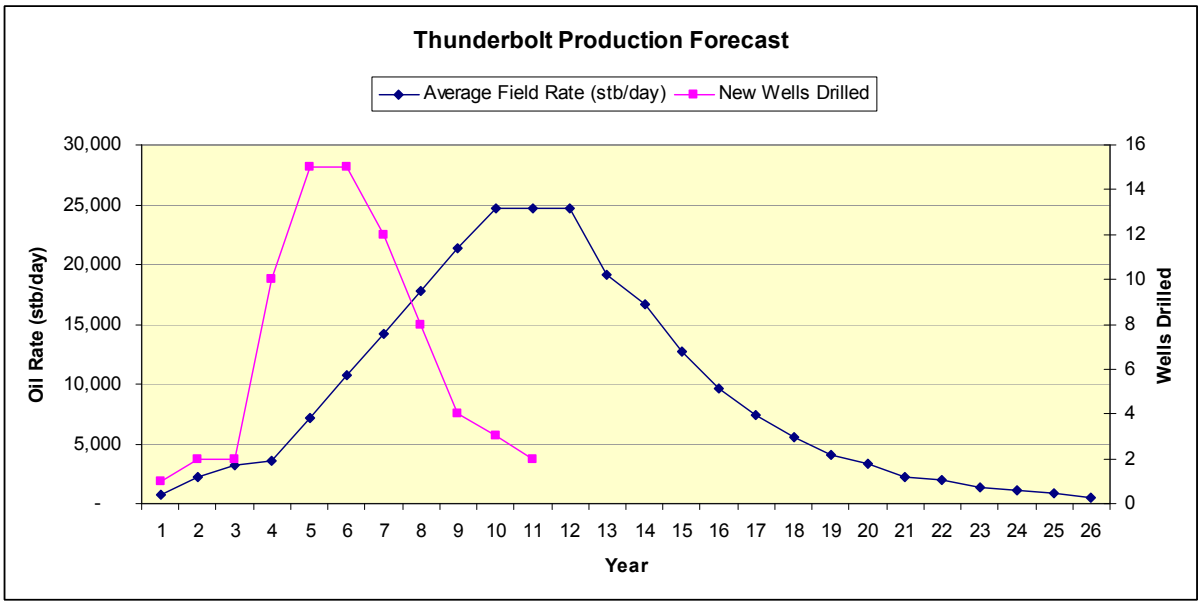

Figure 5 – Thunderbolt Production Forecast

2.4 Project Expenditures

The capital and operating cost were generated using "QUE$TOR"™, a cost and technical database covering all the producing regions of the world (when available, cost data specific to the asset in question was used). These databases are updated every six months with costs gathered from actual projects, fabricators, vendors, and service companies. A summary of exploration, development, operating and abandonment costs are provided in Table 3. All costs are in United States Dollars (US$) and are pre-inflation.

Cost	Bellevue Prospect	Thunderbolt Prospect
	US$ million	US$ million
Exploration Well	4.0	4.8
Appraisal Wells	31.4	18.8
Other G&G	13.5	8.1
Total Exploration/Appraisal Costs	**48.8**	**31.7**
Development Drilling	2292.6	512.6
Facilities	445.5	183.6
Pipelines	391.5	206.6
Total Development Expenditures	**3129.6**	**902.7**
Total Operating	**2653.1**	**1091.4**
Total Abandonment	**380.6**	**133.8**

Table 3 - Exploration, Development, Operating and Abandonment Costs

Projected exploration costs at Bellevue include seven exploration/appraisal wells and five wells for Thunderbolt. Other exploration costs include Geology and Geophysical (G and G) for sample analysis, G and G studies, environmental studies and if permitted, 3D seismic.

The Bellevue and Thunderbolt Prospects are located relatively close to infrastructure such as sealed roads, deep water ports and shipping lanes while transport distances or pipeline lengths are approximately 150km to the north coast of Tasmania. RPS has included an 18 inch pipeline for Bellevue and a 12 inch pipeline for Thunderbolt which will transport the oil 150km to a custody transfer terminal in northern Tasmania, near Devonport, for tanker transport to refinery.

Facilities required for gathering, testing, processing and handling gas, oil and water are designed and costed using the QUE$TOR model and database.

Operating costs include the cost of consumables like chemicals, utilities (power and water), salaries and wages, administrative overheads, repairs and maintenance. The QUE$TOR model was used to estimate the total operating costs which are made up of Fixed and Variable costs. The operating costs established by QUE$TOR were used for the initial, peak production and initial decline years, however, for the later years of decline the costs were adjusted down to better reflect the decline of the operation. QUE$TOR did not reduce the costs in later years resulting in unreasonably high costs that would not be maintained under normal operation. These costs were adjusted to reflect "most likely" cost reductions to maintain operations.

The abandonment costs include well abandonment, land reclamation, facilities decommissioning and salvage.

3. RESULTS

The NPV and EMV results of the valuation, based on RPS's long term base price forecast for Brent Crude, is presented in Table 4. Each row of Table 4 represents a different outcome of the probability tree for the assumed developments. The EMV is the sum of the risked NPV's.

Results based on commodity price sensitivities are presented in Table 5 (RPS Low Brent Forecast) and Table 6 (RPS High Brent Forecast)

					NPV10 (MM US$)			
Play Chance	Well 1	Well 2	Branch Probability		Bellevue	Thunderbolt	Total	Risked NPV
12%	17%	6%	0.12%		2972.9	990.6	3963.5	4.9
12%	17%	94%	1.92%		2972.9	-8.6	2964.3	56.8
12%	83%	6%	0.60%		-8.6	990.6	982.0	5.9
12%	83%	94%	9.36%		-8.6	-8.6	-17.1	-1.6
88%	100%	100%	88.00%		-8.6	-8.6	-17.1	-15.1
							EMV	**50.9**

Table 4 – RPS Base Price Case Valuation Results, as at 1 December 2009

					NPV10 (MM US$)			
Play Chance	Well 1	Well 2	Branch Probability		Bellevue	Thunderbolt	Total	Risked NPV
12%	17%	6%	0.12%		1824.1	583.4	2407.5	2.9
12%	17%	94%	1.92%		1824.1	-8.6	1815.5	34.8
12%	83%	6%	0.60%		-8.6	583.4	574.8	3.4
12%	83%	94%	9.36%		-8.6	-8.6	-17.1	-1.6
88%	100%	100%	88.00%		-8.6	-8.6	-17.1	-15.1
							EMV	**24.5**

Table 5 – RPS Low Price Case Valuation Results, as at 1 December 2009

					NPV10 (MM US$)			
Play Chance	Well 1	Well 2	Branch Probability		Bellevue	Thunderbolt	Total	Risked NPV
12%	17%	6%	0.12%		4577.4	1555.3	6132.7	7.5
12%	17%	94%	1.92%		4577.4	-8.6	4568.9	87.6
12%	83%	6%	0.60%		-8.6	1555.3	1546.7	9.2
12%	83%	94%	9.36%		-8.6	-8.6	-17.1	-1.6
88%	100%	100%	88.00%		-8.6	-8.6	-17.1	-15.1
							EMV	**87.7**

Table 6 – RPS High Price Case Valuation Results, as at 1 December 2009

APPENDIX A: GLOSSARY OF TERMS AND ABBREVIATIONS

B	Billion
bbl(s)	Barrels
bbls/d	barrels per day
bopd	barrels of oil per day
BTU	British Thermal Unit
Bscf	billions of standard cubic feet
condensate	liquid hydrocarbons which are sometimes produced with natural gas and liquids derived from natural gas
EMV	Expected Monetary Value
ft	Feet
G and G	Geology and Geophysical
GIP	Gas in Place
GIIP	Gas Initially in Place
LNG	Liquefied Natural Gases
LPG	Liquefied Petroleum Gases
M	Thousand
MM	Million
M$	thousand US dollars
MM$	million US dollars
MMscf/d	millions of standard cubic feet per day
Mt	thousands of tonnes
MMt	millions of tonnes
NGL	Natural Gas Liquids
NPV	Net Present Value
petroleum	deposits of oil and/or gas
scf	standard cubic feet measured at 14.7 pounds per square inch and 60° F
scf/d	standard cubic feet per day
scf/stb	standard cubic feet per stock tank barrel
stb	stock tank barrels measured at 14.7 pounds per square inch and 60° F
stb/d	stock tank barrels per day
STOIIP	stock tank oil initially in place
US$	United States Dollars
Tscf	trillion standard cubic feet

APPENDIX Q

WHK Denison Accountancy - 2009

Comparative Economic Evaluation of GSLM Petroleum Structures and Exploration License SEL 13/98

WHK

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WHK Pty Ltd
ABN 84 006 466 351

F:\BS\Hbt\G\GREAT SOUTH LAND MINERALS LIMITED\Accountants Confirmation Letter to Director of Mines 30.09.09 UPDATED 2nd License.doc

30 September 2009

Director of Mines
Mineral Resources Tasmania
PO Box 56
ROSNY TAS 7018

To Whom It May Concern:

Re: Great South Land Minerals Ltd –
Application for an Oil and Gas exploration license – Onshore & Offshore Eastern Tasmania

We are writing after meeting with representatives of Great South Land Minerals Ltd on the 28th September 2009 and the 30th September 2009, and receipt of subsequent information. We have been requested to review your records and make the following representations.

OWNERSHIP OF GREAT SOUTH LAND MINERALS LIMITED

After review of the draft prospectus of Empire Energy Corporation International (a reporting company in the USA under the Securities Exchange Act 1934), and the websites of both Great South Land Minerals Ltd and Empire Energy Corporation International, we can confirm those documents indicate that Great South Land Minerals Ltd is a wholly-owned subsidiary of Empire Energy Corporation International. We were unable to confirm the shareholding on the Australian Securities and Investment Commission database, as the website did not provide these details.

ABILITY TO RAISE FUNDS

We understand that the initial commitment under this license will be approximately $10 million in the first twenty four months.

Shareholder Rights Offer

The first source of fund raising is a Shareholder Rights Offer for US$9,352,240 (AUD$10,682,170 on the 29th September 2009 Exchange Rate). We reviewed a draft prospectus for Empire Energy Corporation International on the U.S Securities and Exchange Commission (SEC) website, lodged on the 3rd September 2009. The draft prospectus details a Shareholder Rights Offer of 133,607,712 shares at 7 cents per share (approximately 1 share for every 2 shares on issue), totalling US$9,352,540. This prospectus is not yet complete and has not been approved by the SEC, but we have been advised that this will occur shortly.

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ABILITY TO RAISE FUNDS CONT.

Shareholder Rights Offer cont.

We have been advised that in the event the Rights Offer is approved by the SEC that the vast majority, if not all rights will be taken up. This includes Mr Malcolm Bendall, the CEO of Empire Energy Corporation International, taking up his full entitlement of shares under the Rights Offer. Mr Bendall's intention to take up all of his shares is also detailed in a press release issued on the 2nd September 2009 listed on the Great South Land Minerals Limited website and various other financial websites.

Further, it was indicated in an earlier press release issued on the 12th June 2009 that Mr Bendall had received written notice of approval to provide him with US$50 million for the purpose of providing finance to Empire Energy Corporation International. This release indicated that these funds were to be initially applied to finance Mr Bendall's share acquisitions under this particular Rights Offer. We also sighted a letter offering the US$50 Million funding from Abbey International Holdings Limited.

Please note that from our review of the documentation available on the SEC website that all such documents had been lodged within the last six months.

We have been advised by Mr Paul Heath, the Chief Operations Manager of Great Southern Land Minerals Limited that the majority of the funds raised from the issue of shares under the Rights Offer will be spent on the Bellevue # 1 Exploration Well and the Thunderbolt Exploration Well drilling programs that the application relates to.

This is consistent with press releases from Empire Energy Corporation International that we reviewed on the Yahoo Finance website, and further releases on the Empire Energy Corporation International website itself.

Value of Assets

After discussions with Mr Malcolm Bendall – CEO of Empire Energy Corporation International and various other representatives on the 30th September 2009, we make the following observations and comments with regards to the Asset Values of Great South Land Minerals Limited:

RPS Energy Competent Persons Report

We reviewed a Competent Persons Report completed by RPS Energy on the 23rd October 2008. RPS Energy is described on their website as follows:

"RPS Energy is a global multi-disciplinary consultancy, providing integrated technical, commercial and project management support services in the fields of geoscience, engineering and HS&E to the energy sector. We operate from regional offices in Europe, North America, Australia and Asia."

This report is extremely detailed, including a Regional Overview of the Tasmanian Basin, a Petroleum Systems Analysis, and an Prospect and Lead Volumetrics and Risk Analysis. It was supervised by Mr 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 Productive Resources Oil (millions of Barrels)**				**Risk Factor**	**Operator**
	Low Estimate	**Best Estimate**	**High Estimate**	**Mean Estimate**	**COS % a)**	
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	.77%	GSLM
Interlaken	2	10	40	17	.47%	GSLM
Cressy	3	12	48	21	1.2%	GSLM
Hummocky Hills	5	30	138	58	1.2%	GSLM
Thunderbolt	12	53	198	88	.72%	
Macquarie River	3.52	13.1	42.4	19.7	.58%	GSLM
Nile River	3.52	13.1	42.4	19.7	.81%	GSLM
Quamby	.405	1.52	4.95	2.28	.63%	GSLM
Steppes	1.96	7.39	24	11.1	1.3%	GSLM
Stockwell	2	7.4	23.6	11	.75%	GSLM
TOTALS	**100.405**	**425.51**	**1505.35**	**668.78**		GSLM

a) Chance of Success (COS): Chance of probability of discovering hyrdrocarbons 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 29th October 2008.

RPS Energy Competent Persons Report cont.

We spoke to Mr David Guise in an attempt to gain indicative value of the barrels. He 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)

SEL 13/98 Expenditure thus far

Per a press release on the 20th August 2009 and discussions with Mr Peter Woodhouse, the accountant for Great South Land Minerals Limited, expenditure exceeding AUD $50 million has been incurred thus far on SEL 13/98. So far the exploratory work has lead to at least 15 identifiable domes being discovered (per the RPS Energy report above). The executives of Great South Land Minerals believe the valuation prepared by RBS Energy is conservative, and are confident that the value of the domes, in terms of future potential revenue, may be in fact far greater than what has been outlined in the report.

Other Factors

The following assertions have been made by Mr Malcolm Bendall:

- Mirabaud, an international stockbroker, has agreed to act as stockbroker for the Group;
- Various other joint venture and investment negotiations are currently underway, all for significant terms. Further details could not be given due to confidentiality, but from we have seen and have been told, these parties would not be discussing these figures if the projects were not likely to be profitable.

CONCLUSION

The executive strongly believe due to numerous factors, many detailed above, that the assets of Great South Land Mining based on potential future earnings would far exceed the $50 million minimum required for non-verification of assets. This is indicated by the low estimate of $7,028,350,000 in the RPS Energy Report outlined above. Additionally, also outlined above, the value of the barrels would be $502,025,000 using the low estimate or $3,343,900,000 using the mean estimate.

From the documentations and discussions our firm has had with the executive of Great South Land Minerals Limited, this would certainly appear to be a reasonable conclusion.

Please do not hesitate to contact this office should you wish to discuss this matter further.

Yours sincerely,
WHK

for **Peter Muckridge**
Principal

APPENDIX R

Virginia Energy Consultants - 2010

High Level Commercial Hydrocarbon Prospectivity of the SEL 13/1998 Tasmania Australia

VIRGINIA ENERGY CONSULTANTS, LLC

Virginia Energy Consultants, LLC
7831 Carters Run Drive
Marshall, VA 20115
June 14, 2010

Subject: Commercial Hydrocarbon Prospectivity of the SEL 13/1998 Tasmania, Australia

Below is a high level review of the Commercial Hydrocarbon Prospectivity of the SEL 13/1998 Tasmania, Australia.

Over the past decade that Great South Land Minerals Ltd. (GSLM) has held SEL 13/1998 it has high-graded the initial 30,356 square kilometer block, retaining 15,035 square kilometers after 5 years. By the end of its 10 year tenancy, GSLM has generated multiple ready to drill prospects. This achievement was based on the early application of geophysical scoping tools including gravity and magnetic surveys that identified the basic architecture of the Tasmania Basin. Later, two-dimensional reflection seismic surveys were acquired over the thicker sedimentary sections of the basin. These surveys clearly revealed large complex structures that would be suitable traps for oil and gas. The seismic data also revealed coherent, continuous reflectors that are interpreted to be hydrocarbon source rocks which are buried to depths sufficient to convert the kerogen molecule to liquid hydrocarbon. A series of whole cores were cut from stratagraphic test holes. These rocks proved the existence of hydrocarbon source rock, porous reservoir rock and impermeable sealing rock formations. Thus the four elements of a generative Petroleum System are present in the Tasmania Basin.

A perceived risk in the Tasmania Basin is the presence of Jurassic aged intrusive and extrusive dolerites that were ubiquitous throughout the proposed drilling fairway and may degrade or destroy the petroleum potential of the area. To understand this risk component, the key data set was geochemical analysis of well cuttings from stratigraphic test holes drilled in the license area. This data clearly indicated that the oil source rocks still had significant petroleum generative potential and were not destroyed during the emplacement of the Jurassic dolerites. In addition, coal sections in outcrop were of bituminous grade supporting the thermal history indicated by the geochemical data set.

Other commercial opportunities include the proven presence of the element Helium in the Tasmania Basin. With the increased use of Helium in the medical field, the presence of 2-4% of helium can greatly enhance the economics of a project.

A simple risk calculation common in the oil industry is made by estimating the **probability** of the four elements of the Petroleum System being effective in contributing to a Geologic success. Below is my quick look estimation:

Example:
Probability of Active Oil Source Rock x Probability of Effective Reservoir Rock x Probability of Oil Trapping Structure x Probability of Effective Impermeable Seal Rock = Probability of Geologic Success

Estimate For The Probability Of Geologic Success Is:

70% Probability of Oil Source x 80% Probability of porous Reservoir Rock x 90% Probability Of Structural Trap x 70% Probability of Effective Seal =

35% Chance of Geologic Success

In conclusion, this is a Frontier Exploration project with significant risk. But, it is reasonable to expect that oil has been generated and that commercial pools of oil may be present. A good analog to the Tasmania Basin are the East African Rift basins, where a number of significant oil discoveries have been recently made (see Tullow Oil). Similarities include the presence of intrusive and extrusive dolerites. Assuming the first wells encounter oil shows, if not pooled oil, porous reservoir rocks, and a suitable sealing formation, the license area will be very attractive to a larger industry player and upon sale create a significant return to investors.

Ramsay A. Barrett
Petroleum Geologist

APPENDIX S

Proposed Exploration Program
Year 1-2

PROPOSED EXPLORATION PROGRAM AND ESTIMATED EXPENDITURE YEAR 1-2 GSLM / EMPIRE ENERGY

BACKGROUND

Empire Energy / GSLM's current exploration strategy is based on an extensive gravity, seismic and drilling program conducted during the tenure of SEL 13/98.

The company strongly believes that Tasmania has prospects for economic exploitation of oil, hydrocarbon gases and helium. Empire / GSLM have sufficient financial and technical resources to carry out this proposed work program, and remains committed to continuing a comprehensive exploration program in Tasmania.

Empire / GSLM remain optimistic of making a commercial discovery and exploitation of commercial quantities of oil and gas onshore Tasmania for the benefit of Empire, GSLM and the people of Tasmania.

The exploration objective of GSLM is to discover commercial quantities of oil and gas onshore Tasmania. GSLM's current exploration strategy is based on an extensive gravity, seismic and drilling program that has already involved the acquisition, processing and interpretation of up to 1,200 line kilometres of seismic data. Additionally several holes have been drilled during the tenure of SEL 13/98. These include the completion of Hunterston and commencement of Stockwell #1 (Lachish) and Bellevue #1.

GSLM future program is designed to:

• Improve the definition of currently identified anticlines (domes) and other suitable reservoir structures.
• Continue to determine the extent of the three petroleum systems that have been outlined within the old Special Exploration License 13/98 leasehold.
• Define more potential petroleum targets.
• Test existing potential targets already defined through an exploration program starting with Bellevue #1 and Thunderbolt #1.

On the basis of research carried out over the past 25 years, three petroleum systems have been identified onshore Tasmania: a Precambrian Petroleum System, Ordovician Early Devonian Larapintine System within the Wurawina Supergroup and a Permo-Triassic Gondwanan System within the Parmeener Supergroup of the Tasmania Basin.

The mainly Type 1 Kerogen oil prone Gondwanan Petroleum System is considered more prospective than the mainly gas prone Larapintine Petroleum System. Maturation of the Gondwanan Petroleum System as measured by conodont colour alternation in the Gordon Limestone and direct geochemical analysis increases towards the south of the basin, being under mature in the north to possibly over mature for oil in the south.

GSLM has defined more than fifteen targets and aims to define accurately as many targets as possible during this 5 year exploration licence tenure. Exploration petroleum wells are proposed to increase geological, petrophysical and geophysical knowledge of what is still a frontier basin. The results of the seismic survey completed in 2007 by Terrex Seismic helped to define prospects and assisted in determining exact drill locations. We have obtained regulatory approval during the tenure of SEL 13/98 to drill at Bellevue #1 and Thunderbolt #1 well sites and the approval of this application will ensure the continuation of this drilling program.

The Hunt Energy #3 rig was shipped from the mainland of Australia to the north of Tasmania in September 2008. A local Tasmanian drilling company has drilled and cased the Bellevue #1 top hole. The Tasmanian government regulators gave permission for the Hunt rig #3 to move to the Bellevue #1 site and then for drilling to commence on Thunderbolt#1. Hunt Energy is a well-respected Australian oil and gas drilling company. Since 1990, Hunt Energy has completed approximately 100 wells in several different basins across Australia. Hunt Energy's Managing Director, Larry Werecky, has over 40 years of drilling experience and has provided drilling services to major oil companies and drilling contractors both in Australia and internationally.

Commencement of drilling of Bellevue #1 began in 2008, however completion of the this well and commencement of additional wells has been delayed due to the reasons expressed in our Chief Operations Officer letter to Mineral Resources Tasmania on 15 September, 2009. These include:

1) <u>AUD$5 Million promised funding from a Chinese company</u>

   GSLM and Smart Win (a Chinese based company) signed an agreement on 17 July 2008 for a AUD$5 million funding loan to GSLM. However, this promised and anticipated funding by Smart Win only resulted in a part payment (of AUD$3.9 Million) to GSLM; and only after the Hunt Rig #3 was on the Bellevue #1 site. The remaining funding (AUD 1.1 Million) for this loan has yet to be forwarded to GSLM by Smart Win. GSLM believe this remaining loan funding would have enabled GSLM to complete the Bellevue #1 well if paid on time as agreed.

2) <u>Global Financial Crisis</u>

Empire has been moving forward on many fronts in a global financial market that has been the worst we have seen in the seventy years since the last depression. The market conditions have been such that they have created difficulties even for long-established companies.

It appears now that the global markets are showing positive signs of recovery and oil prices have risen substantially. Improving global markets (along with higher prices for oil) are conditions expected to benefit Empire and GSLM moving forward.

3) Inclement weather at the Bellevue #1 site

The delay and difficulty in obtaining the shortfall of additional 'Smart Win' funding by other revenue streams over the summer months, has moved our planned drilling program to coincide with the Tasmanian winter. The climate at the altitude of the Bellevue #1 site during winter demanded the cessation of operations or winterizing applications both for equipment and safety issues.

Despite this delay, and the temporary removal of the Hunt Rig #3 from the Bellevue #1 site, we anticipate that in September/October 2009 (when the Tasmanian winter season ends) that the warmer weather will permit the re-establishment of the rig at the Bellevue #1 site.

On September 28, 2005, GSLM 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, a major seismic program covering Central and Eastern Tasmania managed by Terrex Seismic Pty was completed. Over 1,149 kilometers of seismic data were obtained and processed through December, 2008 **(Figure 1).** Further interpretation has been carried out by in-house geophysicists and experienced contractors.

The seismic interpretation of 1,149 kms carried out by GSLM / Empire Energy has identified and clarified at least 15 major and minor structures which along with a major gravity survey is helping in understanding the petroleum systems of onshore Tasmania. Plays in the Gondwanan petroleum system involve a diversity of structural traps developed by both pre- and post- dolerite tectonic events and stratigraphic traps resulting from pinch outs with dolerite sheets, the best potential traps are formed by rollover anticlines and numerous tilted fault blocks in the Longford Sub-basin. Deeper plays are in the Larapintine petroleum system mainly in the Central Highlands with Ordovician targets at depths of 3,000 to 4,000m.

The interpretation of regional 2D seismic is supported by geological mapping, drill-hole, velocity and gravity data. Approximately one thousand one hundred and fifty kilometres of regional seismic data were acquired across the Central Highlands and Longford Sub-basin in 2001, 2006 and 2007. The seismic lines are widely spaced and mainly recorded along public roads. Crooked

line geometry and inverted near-surface velocity contrast caused by dolerite are major problems affecting the quality of the migrated seismic sections. GSLM's seismic dataset forms the core of the existing geological data, providing information about the geometry and age of folding and faulting.

GSLM SEISMIC ACQUISITION IN 2001, 2006 & 2007

In 2001, the seismic data was acquired for GSLM by Trace Energy Services. In 2006 and 2007, Terrex Seismic of Western Australia was contracted by GSLM to undertake the seismic surveys using the Vibroseis source method.

For seismic exploration surveys co-ordinated on land, seismic energy (shock waves) is produced by the dropping or vibrating a heavy mass on the earth's surface. GSLM uses vibrator trucks (Vibroseis source) similar to those shown in this picture below.

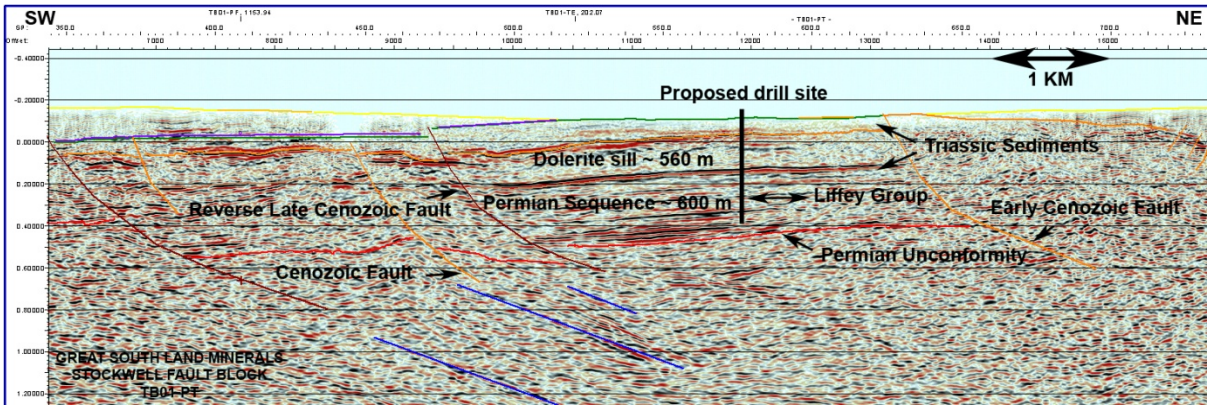
Two to three vibrator trucks are positioned at source points along the survey line and the vibrating baseplates are lowered to ground and the trucks are jacked-up, placing the weight of the trucks on the baseplates.

The energy from the vibration radiates directly outwards in all directions from the source; but whenever they reach geological formations with different structural properties they are reflected or refracted. The vibrations are picked up at the surface by geophones (sensitive microphones) placed on the ground.

Recording continues for the length of the vibration, plus listening time, some tens of seconds in all. This procedure is called a sweep and is repeated a number of times before the geophones are re-laid further along the survey line for the next sweep.

The vibrator trucks release jacks, raise baseplates and move to their next positions. In this way, continuous subsurface coverage can be obtained along the survey line.

In seismic reflection surveys, the structure of subsurface geological formations are mapped by making use of the variations in the times taken for the shock waves to return to different points on the surface after reflection from the formations. Below is an example of a seismic interpretation of a section from the 2007 survey.



RECORDING PARAMETERS (used in 2007 Seismic Survey by TERREX)

Vibroseis Source

Acquisition Type:	Sercel 388 - 24 Bit Telemetry System
Energy Source:	3 x Input-Output 42,000lb Peak Force
	6x6 Truck mounted Vibrators Online
Vibrator Point Interval:	20 metres
Vibrator Array:	15 m Pad-Pad / No Moveups
Vibrator Array Location:	Centred on Station Pegs (Centred at SP 100)
Receivers:	12 x 10 Hz SM24 Geophones / Group
Receiver Interval:	20 metres
Receiver Array:	20 metres (12 phones with 1.67m phone spacing)
Receiver Array Location:	Centred between Stations (Centered at SP 100.5)
Sweep Length:	12 sec Sweeps
Number of Sweeps:	2 x 12 second sweeps / VP
Sweep Type:	Monosweep
Sweep Frequencies:	6-140 HZ
Sweep Taper:	200 msec Taper
Sweep Energy per Km:	1200 sec/km or 800 sec/km (see GSLM)
Sweep Control:	Pelton Advance 2 Model 5
Accelerometers:	Pelton M5 High Performance
Similarity System:	Pelton VIBRA-SIG
Peak Force:	44,000 lbs
Hold Down Weight:	44,200 lbs
Vibrator Drive Level:	Force Control On - 80% Peak Force
Phase Lock:	Ground Force Phase Lock

No. of Channels:	300 Channels
Spread Geometry:	Symmetric Split Spread
Maximum Offset:	2990 - 10 – 0 – 10 – 2990 metres
Fold:	150 Fold with 10m CDP interval
Record Length:	6.0 seconds
Correlation Sample Rate:	2 milliseconds
Written to Tape S.R.:	2 milliseconds

GSLM SEISMIC PROCESSING IN 2001, 2006 & 2007

Fugro Seismic Imaging (former Robertson Research) has carried out the processing of the field data for GSLM over the last three seismic surveys.

Most of the data was recorded along existing roads and required processing using crooked line techniques. Events in seismic data acquired along lines that are straight are more easily ascribed to geologic features, while with crooked line geometries events may represent changes in line direction rather than geological structures. Processing techniques generally assume a straight line profile with uniform fold and even offsets, crooked line acquisition results in variable fold and uneven offsets. Specialised processing with careful initial and residual statics corrections and frequent velocity analyses were requested for the 2007 seismic processing, even with crooked line processing methods applied, problems such as seismic transparent zones and coherent noise can still result where there are changes in survey line direction. Many of the roads used in GSLM' surveys were windy, some containing many tight bends over short distances. Therefore, even with the application of crooked line processing techniques, variably degraded seismic data can be expected.

2007 lines were processed as for the 2001 and 2006 surveys to keep the surveys similar. Pre stack time migration was looked at but it was felt that the data was more smeared with this process when compared to the normal post stack migration. Filters, scaling and muting were tested to ensure the previous values were accurate especially as the frequencies were expanded to 140 Hz.

PROCESSING SEQUENCE DIAGRAM (2007 Fugro Seismic Imaging)

```
TRANSCRIPTION
      |
GAIN RECOVERY
      |
PHASE CONVERSION
      |
CDP SORT
      |
DECONVOLUTION
      |
FLOATING DATUM CORRECTION
      |
VELOCITY ANALYSIS (1st pass)
      |
RESIDUAL STATICS (1st pass)
      |
VELOCITY ANALYSIS (2nd pass)
      ||
RESIDUAL STATICS (2nd pass)
      |
      DMO
      |
VELOCITY ANALYSIS (3rd pass)
      |
NMO CORRECTION
      |
      MUTE
      |
```

```
PRESTACK
EQUALISATION
|
FLOATING DATUM TO FINAL DATUM
|
CDP TRIM STATICS
|
CDP STACK
|
SPECTRAL BALANCE
|
F.D. MIGRATION
|
BANDPASS FILTER
|
POST STACK SCALING
```

Great South Land Minerals - Seismic Survey Lines

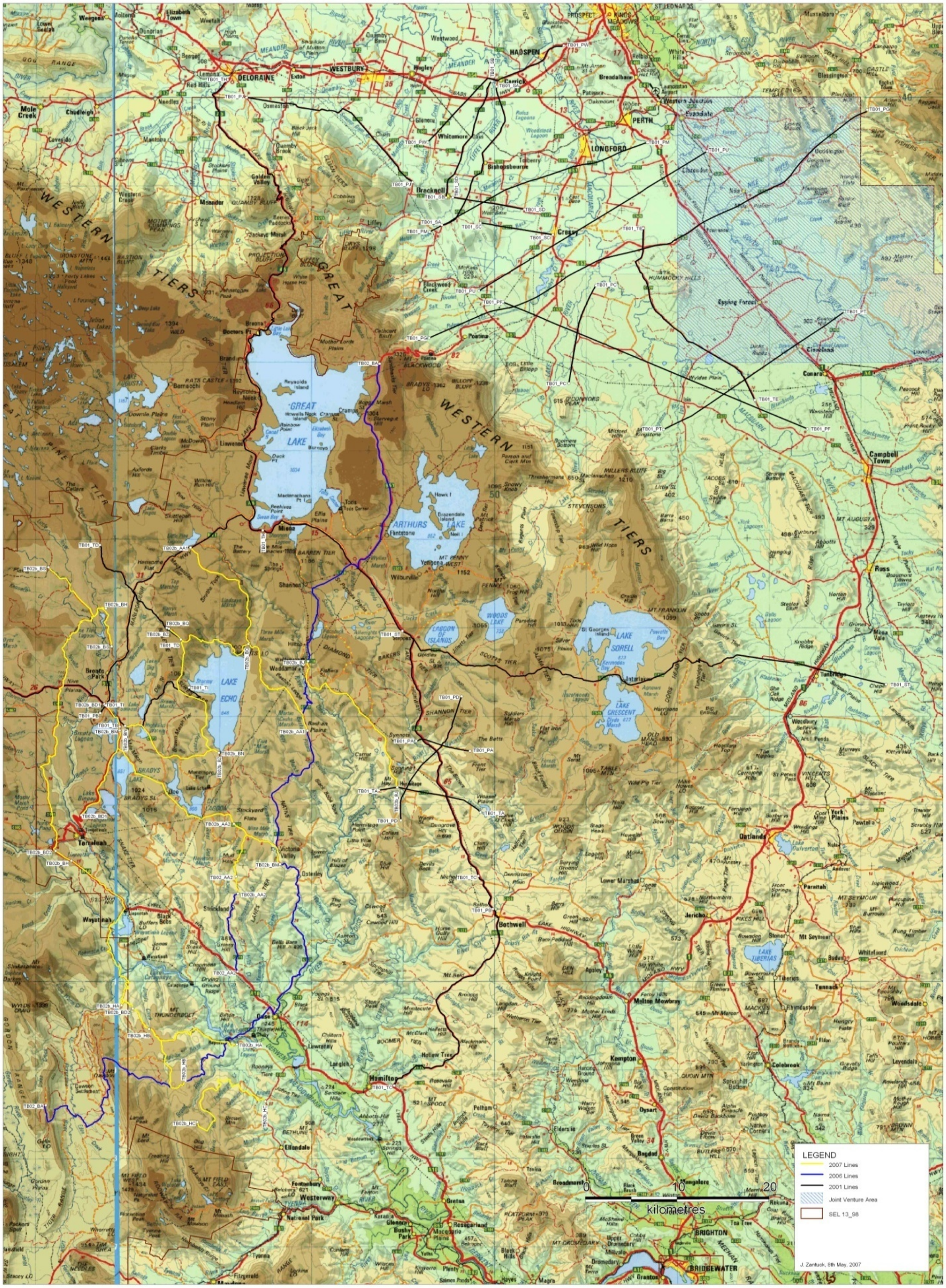


Figure 1. GSLM - 2007, 2006, 2001 Seismic Survey Lines

PROPOSED EXPLORATION DRILLING PROGRAM YEAR 1-2

GSLM has commissioned an exploration petroleum drill-rig which is now scheduled to drill at least two holes in the next two years (including interpretation of data associated with these holes). **(Attachment G.4 Exploration Budget)**

GSLM has in place a Drilling Operations Plans for Bellevue #1 and Thunderbolt #1 which contain a complete Drilling Program, an Emergency Response Plan (including Hunt Energy Emergency Response Plan), First Aid and Well Control Certificates, an Environmental Plan (including Forest Practice Plan, Hydrological Report and Acoustic Surveys), a Fit For Purpose Reports (Including third party reports from Moduspec, Bellevue only), a Drilling Operation Manual, a Bush Fire Safety Requirement and a Private Land Owner Agreement.

Two exploration wells have been budgeted (using the Hunt Rig 3 or similar) to test the structures determined by GSLM during its tenure over SEL13/98.

STAGE 1:

The first proposed exploration well planned (Bellevue #1) is designed to test two petroleum system identified onshore Tasmania: an Ordovician Early Devonian Larapintine System within the Wurawina Supergroup below the Tasmania Basin and a Permo-Triassic Gondwanan System within the Parmeener Supergroup of the Tasmania Basin. This well will provide information on the petrophysical seal, reservoir and source-rock characteristics of all two petroleum systems. Downhole seismic will allow a reinterpretation of the seismic acquired within the area. Bellevue #1 is situated close to the intersection of three seismic lines TB02b-BQ, T02b-BZ and TB01-TD and is planned to be drilled to a depth of about 2600m. Full details are included in the Bellevue #1 drilling operations plan submitted to MRT on 29 August 2008. **(Figure 2 shows Bellevue #1 and Thunderbolt #1 drilling sites).**

STAGE 2:

It is proposed that the second exploration well will be located approximately 13km south west of Ouse (and subject to the results of the first well; Bellevue #1). This second exploration well planned (Thunderbolt #1) is designed to test twp petroleum system identified onshore Tasmania: an Ordovician Early Devonian Larapintine System within the Wurawina Supergroup below the Tasmania Basin and a Permo-Triassic Gondwanan System within the Parmeener Supergroup of the Tasmania Basin. This well will provide information on the petrophysical seal, reservoir and source-rock characteristics of all three petroleum systems. Downhole seismic will allow a reinterpretation of the seismic acquired within the area. Thunderbolt #1 is situated close to the intersection of three seismic lines TB02-BA, T02b-HC and TB02b-HA and is planned to be drilled and cored to a depth of about 2600m. Full details are included in the Thunderbolt #1

drilling operations plan submitted to MRT on 16 September 2008. **(Figure 2 shows Bellevue #1 and Thunderbolt #1 drilling sites).**

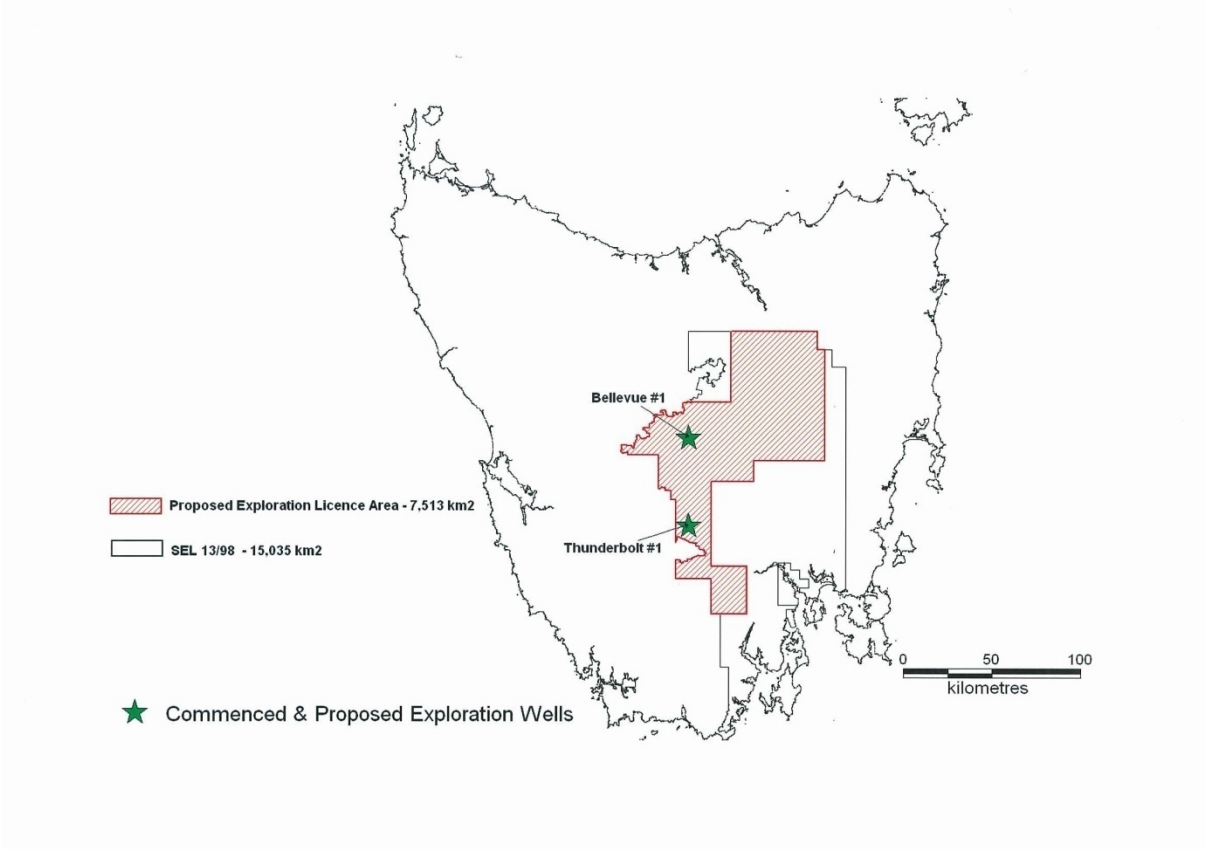


Figure 2. Proposed Drill Sites Year 1-2

Notes:

- Approvals for Stage 1 and Stage 2 exploration wells, Bellevue #1 and Thunderbolt #1 have been granted previously by MRT. A formal request for extension to drill at Bellevue #1 was submitted to MRT on 15 September, 2009.
- Commencement of drilling of Bellevue #1 began in 2008, however completion of the this well and commencement of additional wells has been delayed. Gerald Spaulding Drillers have completed the pre-collar hole to 272m.
- Evaluation of resources and reserves, Mudlogging, Wire Line Logging have been incorporated into the Bellevue #1 exploration well.

- It has been proposed that all exploration wells will be drilled back-to-back to minimise mobilisation expenses.

PROPOSED EXPLORATION DRILLING PROGRAM YEAR 3-5

GSLM has defined more than fifteen targets and aims to define accurately as many targets as possible during this 5 year exploration licence tenure **(Figure 3 & 4).**

GSLM has also completed most of the environmental, threatened species, archaeological, cultural, hydrological, acoustic and fire-risk assessments of its several other potential drill sites during the tenure of SEL 13/98.

Four exploration wells have been budgeted and will be drilled based on the success on the evaluation of the drilling program during Year 1 and Year 2.

STAGE 3:

Depending on the initial results of the exploration wells, Bellevue #1 and Thunderbolt #1, it is then planned to drill Lonnavale #2. The well program for this stratigraphic/exploration well will primarily test a documented oil seep. Additionally, it is proposed that a regional seismic survey be conducted in the southern part of the licence tenure.

STAGE 4:

Depending on the initial results of the exploration wells for Bellevue #1 and Thunderbolt #1, and the well drilled as Stage 3, it is then planned to drill to continue Stockwell #1 (Lachish). The program for this exploration well will be similar to those of Bellevue #1 and Thunderbolt #1, however, is a much shallower target.

STAGE 5:

Depending on the initial results of the exploration wells Bellevue #1 and Thunderbolt #1, and the wells drilled as Stage 3 and 4, it is then planned to drill a further exploration well. This proposed exploration well is Bellevue #2.

STAGE 6:

Depending on the initial results of the exploration wells Bellevue #1 and Thunderbolt #1, and the wells drilled as Stage 3, 4 and 5, it is then planned to drill a further exploration well. This proposed exploration well is Thunderbolt #2.

Notes:

- Comprehensive Wireline Logging and Well Testing have been allowed for in the budget of both exploration wells. Should a significant hydrocarbon resource be discovered additional expenditure would be required to carry out an extensive well and reservoir test program.
- It has been assumed that both exploration wells will be drilled back-to-back to minimise mobilisation expenses. Should the results be encouraging we would plan on increasing the number of exploration wells during the same mobilisation.

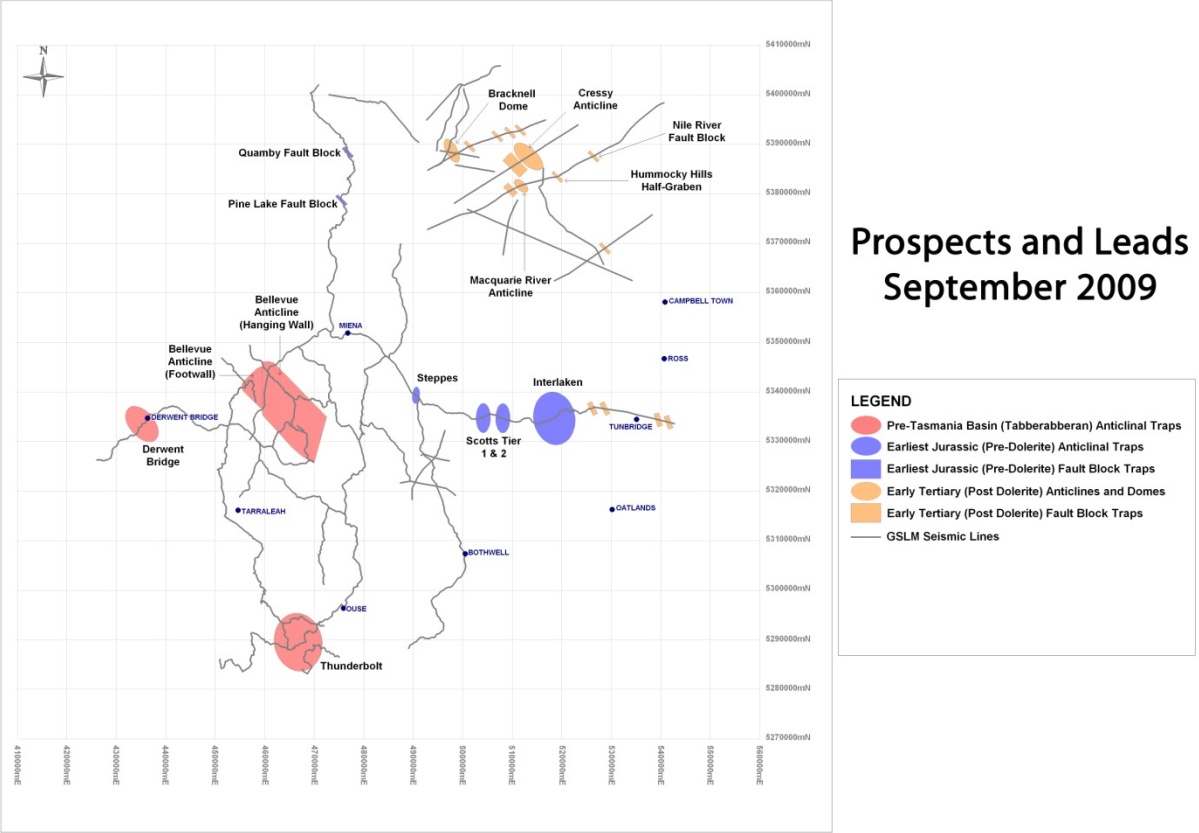


Figure 3. Great South Land Minerals - Prospects and Leads

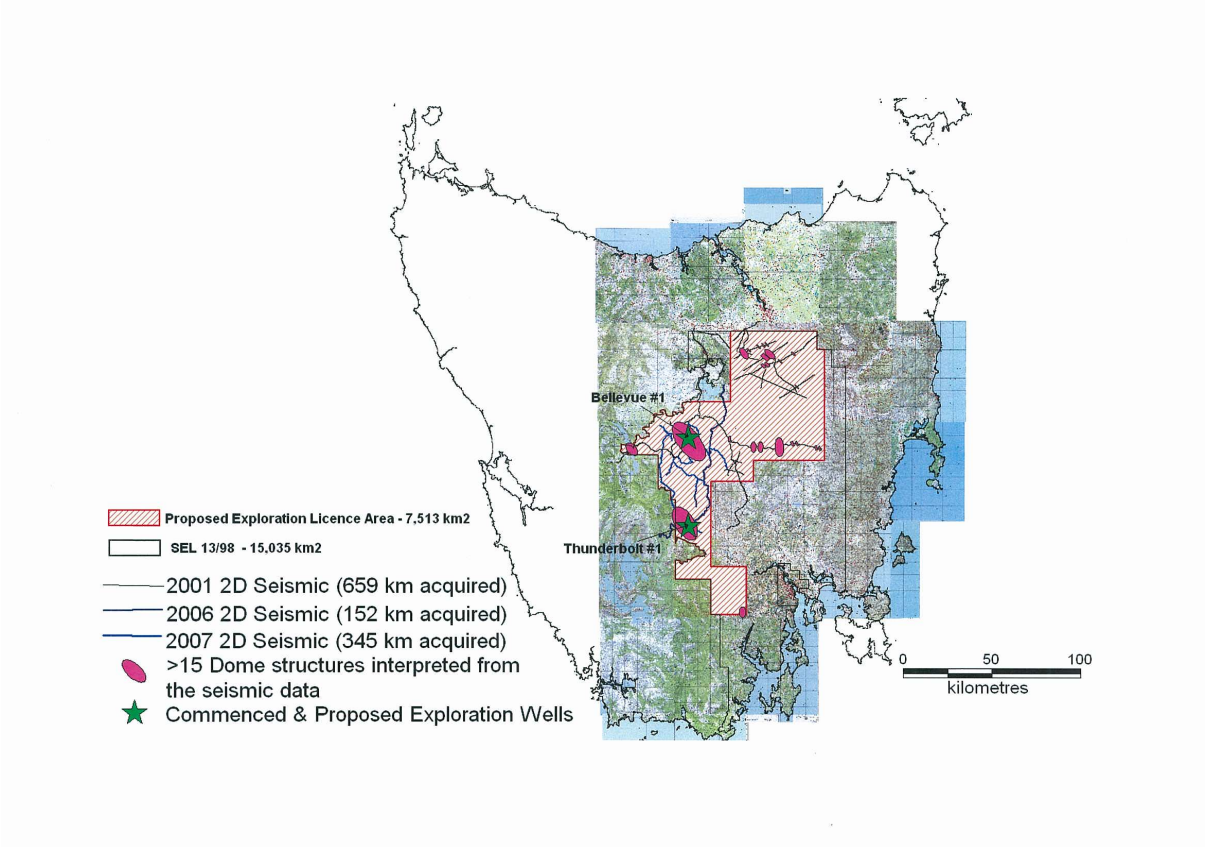


Figure 4. Great South Land Minerals - Dome Structures interpreted from seismic data

PROPOSED EXPLORATION SEISMIC PROGRAM YEAR 3-5

GSLM is aiming to continue its seismic program with the acquisition of 2D seismic in the central, eastern and southern part of Tasmania during this 5 year exploration licence tenure. **(Attachment G4 Exploration Budget)** This proposed seismic survey to be carried out in year 3-5 is subject to logistical and weather restrictions. **(Figure 5 & 6)**

The seismic interpretation of 1,149 kms carried out by GSLM has identified and clarified at least 15 major and minor structures which along with a major gravity survey is helping in understanding the petroleum systems of onshore Tasmania.

The results of the interpretation of 2001 and 2006 surveys were used to plan the line locations for the next regional seismic survey of 2007. As was the case with all the surveys, the lines have been located wherever possible along roads in order to minimise the impact of the survey on private land and on environmentally sensitive areas.

2D onshore seismic is planned to be acquired for this stage 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 SEL 13/98 (Refer to 'Terra Insight Services, Inc: Technology Summary').

STAGE 1:

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, Stotts Tier and Steppes and to continue the regional grid over the Tasmanian Basin. **(Figure 5)**

STAGE 2:

Acquisition of 2D seismic using vibroseis is planned, mainly along roads to expand our seismic coverage to the South, South East and East parts of the Tasmanian Basin. This seismic survey is planned for year 3 to 5 to define more closely the structures at Thunderbolt and Lonnavale and to continue the regional grid over the Tasmanian Basin. **(Figure 6)**

Approvals:

Environmental and Traffic Management Plans have been submitted in the past for programs similar to the ones in 2006 and 2007. Permission to operate the vibroseis trucks on council roads or on private property will be sought in a similar fashion to the approvals obtained for the 2006 and 2007 surveys.

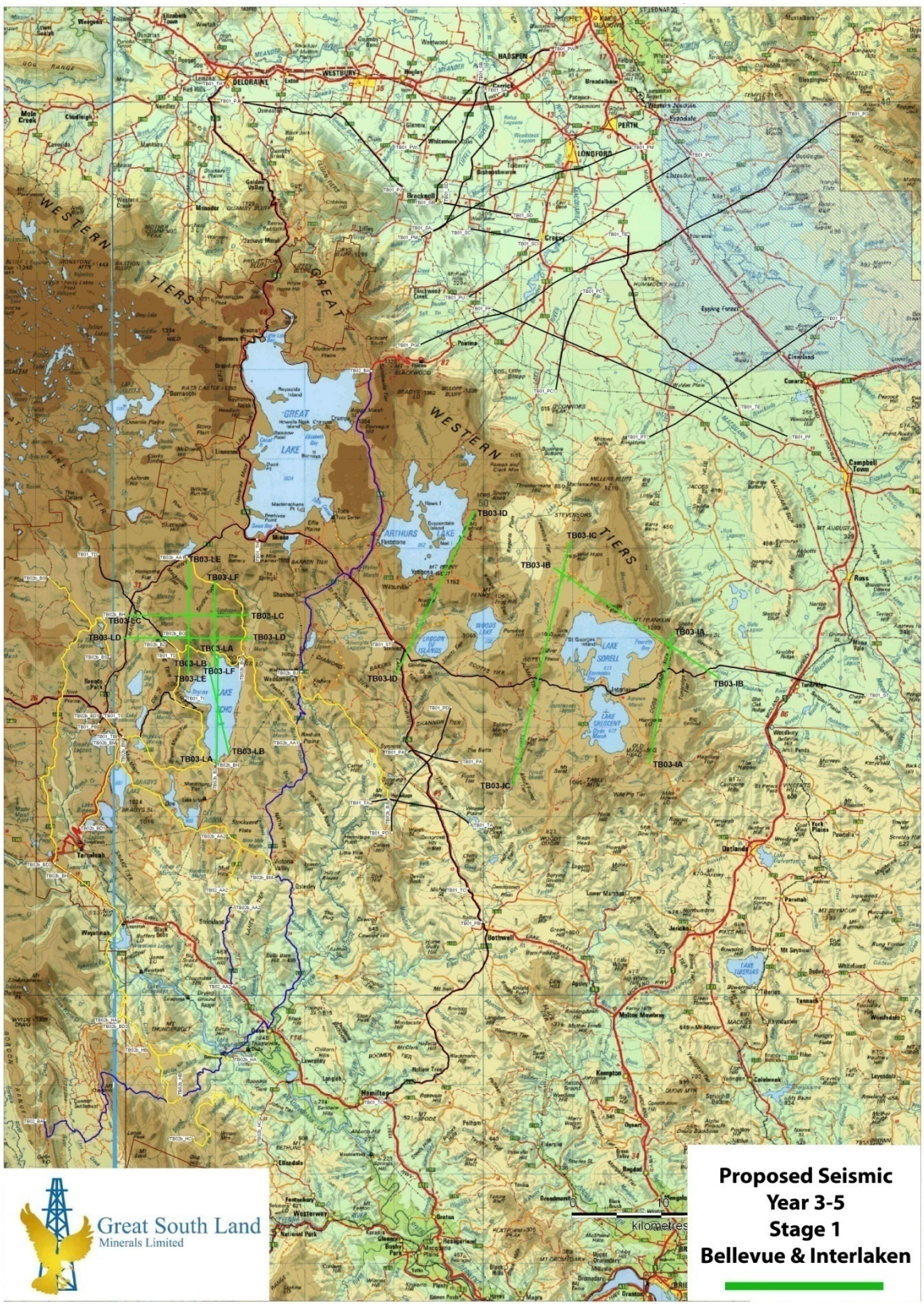


Figure 5. GSLM Year 3-5 Proposed Seismic Survey Map (Bellevue, Interlaken, Steppes)

Proposed Seismic
Year 3-5
Stage 2
South, South East
& East parts of
the Tasmanian Basin
0
20
40
kilometres
N
Great South Land
Minerals Limited

Figure 6. GSLM Year 3-5 Proposed Seismic Survey Map

(Eastern and Southern Part of Tasmania)

Acquisition:

It is envisaged the contractor who acquired the data for 2006 and 2007 seismic survey will be engaged for the upcoming survey depending on availability and cost.

Processing:

It is planned to contract processing of the raw seismic data to Fugro Seismic Imaging. Processing parameters will be selected using results of the previous 2007 survey.

Interpretation:

Interpretation will be carried out either in-house or in conjunction with contractors such as Greg Blackburn from Terratek Petroleum and David Leaman from Leaman Geophysics Pty Ltd.

Notes:

- A Shallow water marine survey to be conducted using sensors attached to an Ocean Bottom Cable (OBC) laid out on the Lake Echo bottom is currently being assessed by GSLM. Due to operational limitations, these types of surveys can be conducted up to depths of about 70 meters.
- Stage 1 and 2 of seismic acquisition is planned for year 3 to 5, however, a firm start date can only be determined once a tender has been awarded and the service company has committed resources.

An outline of the Seismic Program Year 3 to 5 is currently being assessed by the company as described below. These include:

- Project Scouting,
- Operational and HSE Risk Evaluation,
- Project Preparation,
- Project Management and Execution in conjunction with Client's Representatives,
- Seismic Operations,
- Site Remediation and Close Out,
- Data Processing Supervision,
- Data Processing Services and Project Design, Parameter Evaluation, and
- Timeline Organization Consulting.

SEISMIC PROGRAM YEAR 3-5 PLANNING

Project Scouting, Operational and HSE Risk Evaluation
- Evaluation of GSLM Objectives
- Review Available Data
    Satellite Images
    Library Seismic
    Well Data
- Hazard Assessment
- Comprehensive Risk Avoidance Planning
- Emergency Notification Plans

Project Preparation
- HSE Orientation and Training
- Camp Placement
- Line Cutting
- Surveying
- Shot Hole Drilling
- Mobilize Operator Equipment and Personnel

Project Management and Execution in conjunction with Client's Representatives
- Daily Communication with Client Representatives and Client Home Office
- Daily Reports with Progress Maps

Seismic Operations
- Explosives
- Vibroseis & Mini-Vibroseis

Site Remediation and Close Out
- Line recovery
- Rollback
- Replanting

Data Processing Supervision
- QC Field Data for Errors
- Test and Select Data Processing Parameters
- Present Results and Clarify any Issues

Data Processing Services
- Both 2D and 3D data sets recorded with 3 component sensors will be processed.
- Advanced programs such as Prestack Depth Migration (PSDM) and Prestack Time Migration (PSTM) will be required.

Project Design, Parameter Evaluation, and Timeline Organization Consulting

- Meetings with Stakeholders
- Presentation of Project Plans

Regulatory Compliance and Procedure Evaluation
- Compile Notification, Permit and Compliance Requirements
- Check for Recent Updates and Modificatio- Approach Regulatory Agencies
- Modify Procedures and Plans to Comply with Recent Changes to Regulations

Economic Assessment and Tendering
- Canvas Available Subcontractors
- Obtain Client Input on Subcontractor Requirements
- Request and Evaluate Bids
- Contract Subcontractors
- Provide Contractor's Quote for Services

LOGISTICS

The survey is to be scheduled for the finer weather months (late spring, summer, or early autumn), as the Tasmanian weather at other times of year is unsuitable for seismic work. Strong wind, rain, or snow can make seismic impossible and GSLM must bear the costs while the crew sits idle waiting for suitable weather.

Line Clearing

Access to the lines via local roads, off-road track and farm tracks needs to be evaluated prior to any work.

Seismic Surveying

GSLM needs to provide the seismic acquisition company and the surveyors with the details of the lines they will be surveying. This will include topographic maps, line descriptions, coordinates, lengths and access to the major and minor roads considered to be used during the acquisition of the seismic data. In 2006 and 2007 line chaining and survey for the entire program were completed by Dynamic Satellite Surveys personnel.

NOTIFICATIONS, PERMITS AND APPROVALS

A traffic management plan and an environmental management plan need to be revised and updated as a large part of daily operations on the proposed prospect are along the road verge and within conservation areas.

Mineral Resources Tasmania (MRT) needs to be approached first and informed of the intention to undertake the seismic survey. MRT has assisted GSLM in determining what other notifications, permits and approvals will be required.

Environmental Management Plan – the environmental management plan focuses on threatened species that may be affected by the survey, in particular those in the Natural Values Atlas and in

DIER conservation areas. GSLM's seismic EMP was written in 2006. In 2007, addendums to the original document were written to cover the additional survey areas.
The EMP (and addendums) was compiled by SEMF. In autumn 2007 the principal contact for this job was Fiona Kesure-Ponte. For each addendum, SEMF required:

- Maps of the new lines
- Road names for each line
- DIER codes for any State roads used
- Line lengths
- A desktop study of threatened species (see below)
- Confirmation that all relevant parties had been contacted

The EMP must be sent by the contractors (SEMF) to the Conservation Assessment Section of DPIW, for their approval. Their letter of approval should be included in the completed document.

Desktop Threatened Species Study – this forms part of the EMP (above). Essentially it should identify any threatened species within a 200m buffer of seismic lines (bigger buffer for Eagles). It is GSLM's responsibility to commission this report and provide it to the contactors responsible for the EMP.
In autumn 2007, Pitt and Sherry were contracted for this job. They required MapInfo TAB files of the seismic lines to be provided. The co-ordinates of any threatened species identified in this report must also be provided to the DSS surveyor so that sensitive areas can be pegged with a yellow or green flag that tells the seismic crew they must not use the road verges in those areas.

Department of Primary Industries and Water (DPIW) – The Conservation Assessment Section of DPIW should be informed in advance that planning for a seismic survey is underway and that they will be provided with the EMP for their approval (as outlined above). DPIW must sign off on the EMP before the survey can go ahead.

Land Owners (Private and Public) – Where the seismic survey will use private land, the land owner needs to be made aware of the intention and supplied with a Notification of Intention to Enter Private Property form, which they must understand and sign. It will be necessary to obtain keys to locked gates on private land from the landowner to allow access for the pegging crew and the seismic crew.
With private land owners, it is desirable to give them as much advanced warning and information about what is happening as possible. In 2007, land owners were first contacted by phone and then sent a brochure explaining the seismic process, as well as a map of the proposed lines in their area, with the NOI form. They must also be informed when the pegging or seismic crew is about to access their land.

Public land owners (such as Forestry Tasmania and the Hydro) do not need to sign an NOI form, but otherwise the process of advanced warning and communication remains the same. The initial contact at Forestry Tasmania should be the Community Liaison officer for the district in question.

Councils - should be informed of the seismic survey in advance. They should be provided with materials (such as brochures) that explain the seismic process and given maps of the seismic lines and approximate time frames for the survey in their area.

Community – local communities should be provided with information on the seismic program. This can be done through brochures, community newspapers, local radio etc.

Traffic Management – GSLM has a traffic management plan created for the seismic survey in 2006. An addendum was written for the 2007 survey. These outline all the obligations and responsibilities for performing work on roads. This plan (and any new addendums) must be submitted to DIER for approval and issue of a permit - which the survey cannot progress without.
As part of the responsibilities set out by the TMP, GSLM must keep the following parties updated on all impending road use:

- The public – through Community Notices, the public should be informed of any possible traffic delays
- Targa Tasmania – if the dates of Targa and the seismic conflict
- Police – through the State Radio Room
- DIER - in advance of any state roads being used, so as not to conflict with any road works
- Local councils
- Logging companies who may be using the same roads

SEISMIC ACQUISITION ALTERNATIVES

In 2007, new seismic acquisition parameters were used which resulted in a considerable increase in the quality of data obtained, compared with previous surveys. These changes have successfully helped in acquiring high quality data in terrain dominated by dolerite (which has seismic velocities of about 6000m/s).

The use of a "crooked line" grid (shooting along existing roads) and the Vibroseis source method has enabled GSLM to acquire an extensive regional data set whilst minimising cost.

Global geophysical data acquisition is performed under demanding conditions. Detailed project management including procurement, logistics, licensing, engineering and human resources is required particularly in remote and challenging areas such as Tasmania.

GSLM is currently exploring alternatives to continue its seismic program. Some of them are briefly explained below:

Off-road explosives is recognized as a reliable and economical source of energy for downhole seismic applications, specifically to meet the harsh demands of the Tasmanian environment. Such technique could improve efficiency and reduce the overall cost of data acquisition. In Australia, companies such as Orica Mining Services with its long-term presence in regional seismic explosives supply has expanded its network and infrastructure in providing a leading position in the supply of seismic explosives.

An ***Air Gun*** is used for marine reflection and refraction surveys. It consists of one or more pneumatic chambers that are pressurized with air. The air gun array is submerged below the water surface, and is towed behind a ship. When the air gun is fired, a bolt is retracted, allowing the air to escape the chamber and to produce a pulse of acoustic energy.

Marine (OBC) - Shallow water marine surveys are conducted using sensors attached to an Ocean Bottom Cable (OBC) laid out on the ocean bottom rather than in towed streamers. Due to operational limitations, these types of surveys can be conducted up to depths of about 70 meters. One operational advantage is that obstacles (such as platforms) do not affect the acquisition as much as they do for streamer surveys. Most of the OBC surveys use dual component receivers, combining a pressure sensor (hydrophone) and a vertical particle velocity sensor (vertical geophone). OBC surveys can also use 4 components, i.e. those 2 components plus the 2 horizontal velocity sensors. 4 component OBC surveys have the advantage of being able to record shear waves, which do not travel through water. Multiple component OBC surveys hence lead to improved imaging.

Geodynamics Ltd in the Cooper Basin is currently setting up a ***Microseismic monitoring network*** scheduled for after the completion of each well to be installed by Q-con Gmbh and Geotech Instruments LLC. The stations installed could detect acoustic emissions from 4-5 km underground during the stimulation process.

TERRA INSIGHT SERVICES, INC – TECHNOLOGY SUMMARY (ALSO REFER TO G5 FOR MORE INFORMATION)

Terrra Insight Services, INC – Technology Summary (also included as Attachment G5)

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.

Terra Energy and Resource Technologies Inc (a publicly traded firm TEGR.OB) through its wholly owned subsidiary Terra Insight Services ("Terra") has briefed GSLM's technical team on the use of its proprietary suite of new, innovative exploration technologies that it assures will significantly increase exploration success rates and greatly reduce exploration risk and cost.

Using Terra technologies, GSLM's primary objective is to address the issues of cost, risk and efficiency posed in the discovery and extraction of hydrocarbons (HC) and augment current discovery methodologies (currently based on reflected waves seismic).

The Terra technology Suite includes;

{SPACE} Sub-Terrain Prospecting Technology (SteP®):

STeP® includes four independent remote-sensing technologies (primarily satellite based). Each one uses multi-stage modelling to process and interpret satellite, cartographic and other data, in order to assess, quantify and locate HC structures.

{SURFACE} Naturally Adsorbed Gas Survey (NAGS™):

NAGS is a highly informative geochemical technology based on a new model of a certain "gas field" of the Earth, analysing adsorbed gases in collected samples to determine zones of HC accumulation.

{SUB-SURFACE} Side View Seismic Locator (SVSL):

Micro-seismic technology based on processing of 'scattered' (as opposed to reflected) waves to determine zones of open fracturing in reservoirs thus achieving the highest production rates and avoiding drilling complications.

Seismic Location of Emission Centres (SLEC):

SLEC is a passive seismic technology with the output of fluid (oil or water) saturation, oil to water contact and reservoir dynamics.

These four technologies have been under development for more than thirty (30) years with hundreds of tests, pilot and commercial projects and applications in exploration activities in some of the world's largest resources companies and governments. GSLM now has direct access to this exciting development and intends to use Terra to rapidly advance its exploration program and lead time to production of commercial hydrocarbons.

It was the intention of GSLM to incorporate the use of this new suite of technologies (Esp. STeP) to consolidate the remaining regional exploration over the entire 15,039 square kilometres that comprised SEL 13/98.

APPENDIX T

Drilling Program Bellevue Site

Great South Land
Minerals Limited

Great South Land Minerals Limited ABN 54 068 650 386

DRILLING PROGRAM

Bellevue 1

(17 1/2" surface hole (air drilled by mineral rig), 13 3/8" surface casing, 12 ¼" intermediate hole, 9 5/8" intermediate casing, 8 ½ production hole, 7" production casing)

2009.

APPROVALS

Prepared By ....

D. New
Drilling Manager

Date

Reviewed By ....

Date

Approved By ....

Date

List of Revisions

Revision Number	Revision Date	Revised Section	Revision Details	Revised By
1	25/08/08	All	First release	DN

1. GENERAL DRILLING PROCEDURES
   1.1 Introduction and location map

1.2 General Operating Guideline
1.3 Safety
1.4 Environmental Procedure
1.5 Chain of Command
1.6 Well Control Equipment / Procedures
1.7 Drills and Safety Procedures
1.8 Leak Off Tests
1.9 Time vs Depth Curve

2. DETAILED DRILLING PROCEDURE
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2.2 Move Rig. Set Conductor and drill 17 1/2" hole
2.3 Move on Location - Rig Up - Install Conductor
2.4 Clean out 17 1/2" surface hole / Run 13 3/8" casing
2.5 Nipple up Casing head and BOP's
2.6 Drill 12¼" intermediate hole / Run 9-5/8" Casing
2.7 Drill 8 1/2” Hole / Run 7” Casing / Abandonment
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2.9 Directional Plan / Wellbore Surveying
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3. DRILLING FLUIDS

4. BITS AND HYDRAULICS

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8. CENTRALISER PROGRAMME

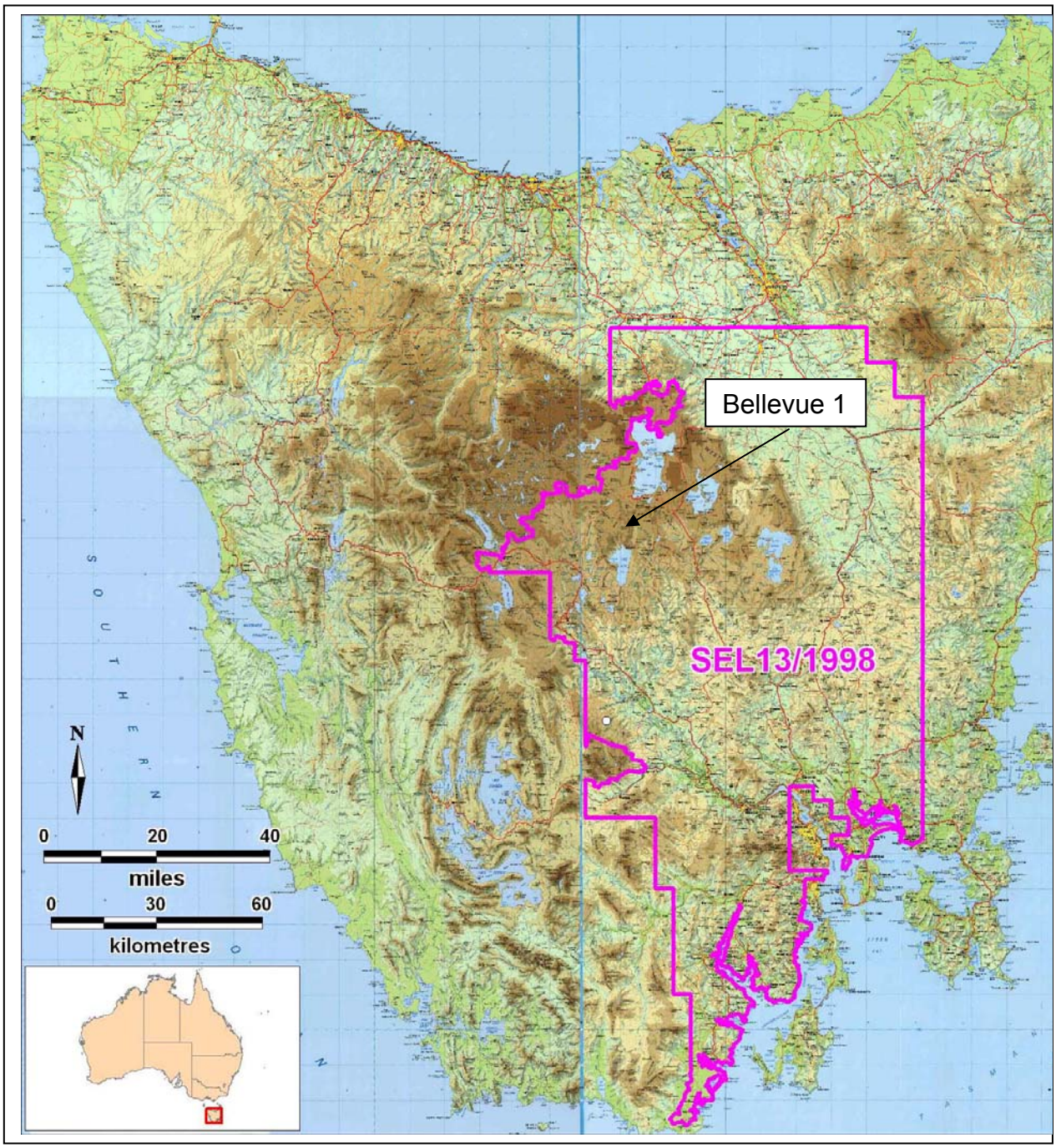
9. CEMENTING
9.1 General Notes
9.2 Conductor
9.3 13 3/8" Surface Casing
9.4 9-5/8" Intermediate Casing
9.5 7” Production Casing

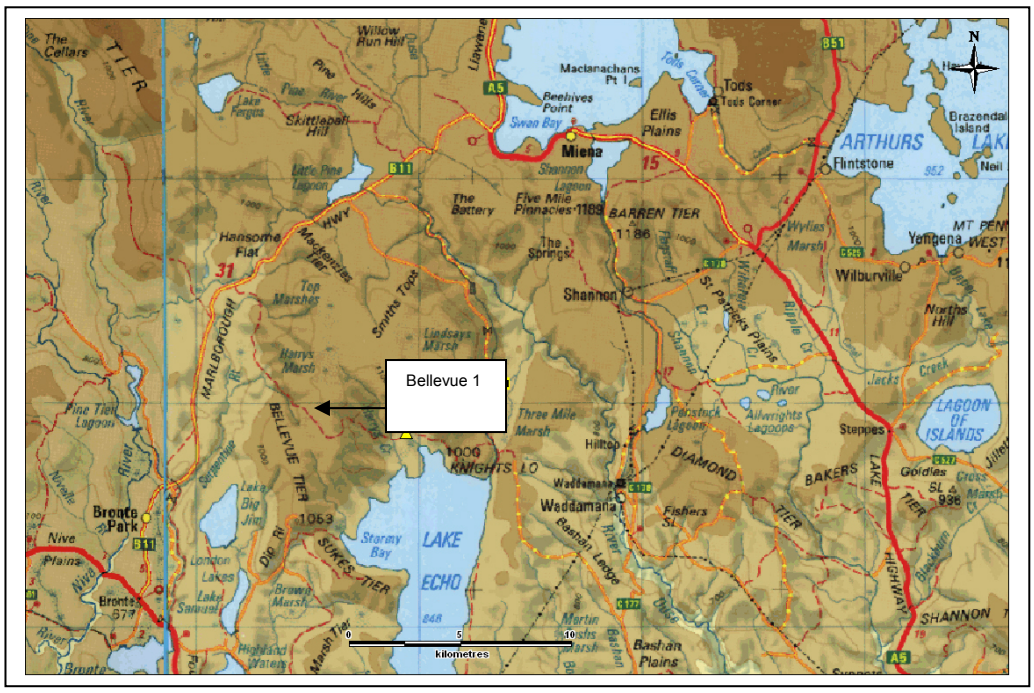
10. PRESSURE TESTING
11. DRILLING MONTAGE

1. GENERAL DRILLING PROCEDURES

Well Data Summary

Well Name	Bellevue 1
Block	SEL 13-98
Location	Tasmania Basin
Grid Location Co-ordinates – (AGD 66, Zone 55)	Easting 465,660 mE Northing 5,338,904mN
Well Type	Oil / Gas Exploration
Ground Level (above sea level)	1070m (Preliminary)
Total Depth (BRT)	2800m
RTE (above ground level)	5.0m
Drilling Rig	Rig #3
Mineral Rig Drilling Contractor	Gerald Spaulding / Foremost DR24
Oil Rig Drilling Contractor / Rig	Hunt Energy / Rig 3
Well Objectives	Evaluation of the hydrocarbon bearing potential Bellevue structure.
17-1/2” Hole / 13 3/8” Surface Casing	350m (drilled by mineral rig) / 347m (run by oil rig)
12 1/4” Hole / 9 5/8” Intermediate Casing	1650m / 1797m (Oil Rig)
8 ½” Hole / 7” Production Casing	2800m / 2597m (if required) (Oil rig)
Water Source	Freshwater quarry lake


Bellevue 1
SEL13/1998
N
0
20
40
miles
0
30
60
kilometres


Bellevue 1
N
Miena
Shannon
Waddamana
Hilltop
Tods
Flintstone
Wilburville
Yengena
Steppes
Bronte Park
LAKE ECHO
ARTHURS
LAGOON OF ISLANDS
kilometres

1.1 Introduction

Bellevue 1 will be one of the first hydrocarbon exploration wells drilled in Tasmania and consequently a very conservative approach has been used in this program. The actual drilling program may have to be amended depending on events during the drilling of the well. Where possible any such changes should be discussed with the drilling manager prior to being implemented. Expect the unexpected!

Safety is of prime importance to GSLM and all appropriate safety systems (Work permits, JSA's, management systems, safety meetings etc) must be used to ensure the well is drilled as safely as possible.

All primary and secondary well control equipment must be operational at all times.

GSLM will conduct all their operations in accordance with the SEO and Environmental Management Plan and will make every effort to minimize the environmental impact of the well. The lease size should be kept as small as practical and all equipment kept within the cleared area. All spills, no matter how small will be cleaned up immediately and recorded in the spill register. As soon as practical after completion of the well the lease will be restored to the conditions required by MRT and the landowner.

The procedures described in this program are based on good oil field practice and will allow the well to be drilled with the minimum risk to personnel, the environment and equipment.

This drilling program should be used as part of the Drilling Plan which includes the Drilling Operations Manual, the Environmental Plan and the Drilling Montage.

1.2 General Operating Guideline

All operating procedures and engineering design contained in this program are intended to be within the stated requirements of the Mineral Resources Development Act 1995 (as amended), the Mineral Exploration Code of Practice, the Statement of Environmental Objectives, the Drilling Operations Manual and the Environmental Management Plan. A copy of these documents shall be available in the Drilling Supervisor's office.

The 17 ½" surface hole will be pre-drilled to approximately 350m within the Dolerite by a Spaulding's mineral rig. Offset well data and regional studies indicate that there is a very low probability of encountering hydrocarbons (no hydrocarbons have been recorded from any mineral or water well in the area) so this section of hole will be treated as a non-hydrocarbon section. Geological studies also suggest that the basal Dolerite is unlikely to be fractured and it is therefore considered highly unlikely that gas could flow from the underlying Triassic into the surface hole.

While Spaulding's mineral drilling rig is on location the senior driller will be responsible for ensuring that Spaulding's SOP's are followed and that the drilling is carried out to the standard specified in this program.

Once the Hunt Rig moves onto location the drilling Supervisor shall be responsible for ensuring that the procedural guidelines are implemented to the standard specified in this program and in the Drilling Operations Manual.

Changes to the procedures in this program will only be made after consultation with the Drilling Manager.

The maximum depth for this well will be 2800m (regardless of lithology) as this is the maximum capacity of the rig with 4 ½" drillpipe.

1.3 Safety

The safety of all personnel, equipment and the environment is of prime concern to GSLM. All operations must be undertaken in a safe manner and must comply with all the relevant company and legislative requirements. No job is so important that safety standards need to be compromised and all personnel have the right to halt any operation they feel is unsafe. All personnel on the rig have an obligation to ensure that the correct safety procedures are in place and that they are correctly followed (e.g. Permit to Work, JSA, safety meetings, Hazop). All personnel must also be trained and qualified for the job they are doing.

1.4 Environmental Procedures.

It is GSLM's intent to drill Bellevue 1 in such a way as to minimize the risk of environmental damage. Environmental policies are given in GSLM's Statement of Environmental Objectives and environmental procedures are given in the Environmental Management Plan for this well. Prior to operations commencing on the Bellevue location the following surveys will be carried out:

- Forest Practice Plan
- Acoustic Survey
- Hydrology Report

The results of these surveys and any recommendations made will be incorporated into the Environmental Management Plan as part of the Drilling Plan.

The key points of the Environmental Management Plan are as follows:

- The Mineral Resources Tasmania Mineral Exploration Code of Practice (Edition 4 – March 1999) will be used as a minimum standard for road and lease construction and rehabilitation activities
- The drilling sump will be lined to prevent possible shallow groundwater contamination.
- Sewerage and grey water will be contained on site in approved septic tanks. At the end of the well the contents of the tank will be transported to an appropriate facility and disposed of. The tanks will be removed and the hole filled in.
- The drill cuttings will be buried on site in the sump.
- Drilling fluids will be non-toxic and will comply with good oil field practice.
- Casing strings will be engineered to minimize the risk of blowouts and consequential escape of hydrocarbons.
- Blow out preventers will be installed, tested and operational at all times when drilling below the surface casing.

- All annular spaces between hole and casing will be cemented to provide zonal isolation for any aquifers.
- Primary well control will be maintained by using sufficient mud weight to overbalance expected formation pressures.
- If the well is abandoned all aquifers of different salinities in the open hole section will be isolated by cement plugs to prevent possible crossflow between them.
- If the well is plugged and abandoned the lease and access road will be restored to the conditions set down in the landowners agreement.
- If the well is suspended pending later completion as a producing well the lease will be fenced and a separate EMP prepared to cover completion and production activities.

1.5 Chain of Command

GSLM Management team shall set general drilling policies and shall review and approve the drilling plan. All suggestions or instructions regarding drilling operations from the management team shall be given to the drilling manager who will review them before passing them on the GSLM drilling supervisor on the rig. **The GSLM drilling manager is the only person who can issue instructions to the drilling supervisor.**

The drilling supervisor shall issue operational instructions to third party personnel, the Hunt Toolpusher and drillers. **The GSLM drilling supervisor is the only GSLM representative who can issue instructions to the Hunt toolpusher, drillers or rig crew.**

The Hunt toolpusher and/or driller will then pass on instructions from the GSLM drilling supervisor to the rest of the drilling crew.

Third party and GSLM personnel on the rig will discuss all operational requirements that may affect safety or the drilling operation with the GSLM drilling supervisor who will issue the appropriate instructions.

1.6 Well Control Equipment & Procedures

Based on regional geological studies and data from water and mineral wells drilled in the area the risk of encountering hydrocarbons in the 17 ½" hole section is considered very low and BOP's will not be run while drilling this section.

Because the expected maximum surface pressure for this well is over 3000 psi a 5000 psi rated, 13 5/8" BOP stack will be used on this well. This will ensure the rated pressure of the BOP's will not be exceeded if abnormal formation pressure is encountered.

BOP's will be installed, tested and operational at all times when drilling below the 13 3/8" casing shoe. If the BOP's fail to test or are found to be faulty, drilling operations must be immediately suspended and can not resume until the BOP's are tested and fully operational.

Wells shall be shut in using the hard shut in technique. The preferred method for killing the well is the "Wait and Weight" method. Refer to the Drilling Operations Manual for detailed procedures.

All primary kick detection alarms (return flow, pit volumes, gas etc) will be set and functional prior to drilling out of the 13 3/8” surface casing and shall remain operational at all times after this. If any indications of a kick are noted then the well should be shut in immediately, shut in pressures monitored and the drilling supervisor and toolpusher notified.

All well control equipment should be function tested daily after drilling out of the 13 3/8” surface casing, except the pipe rams which should be functioned on each trip out of the hole.

1.7 Drills and Safety Procedures

BOP EQUIPMENT, DRILLS AND TESTING

BOP drills shall be conducted with each crew, periodically, to ensure proficiency with the procedures for shutting in wells.

A kill drill shall be conducted prior to drilling out a new string of casing.

BOPs shall be pressure tested every 14 days after installation and initial testing.

Pipe rams and annular preventers shall be operated on a daily basis with blind rams being operated on each trip out of the hole. Manual closing controls are to be checked daily. This should be alternated between the Main Control Manifold, and the remote stations.

TRIPPING

The trip tank shall be used at all times during tripping out, while tripping in after hydrocarbons have been encountered and while pipe is out of the hole. An accurate record of hole fill volumes shall be maintained during tripping, logging and casing running operations. Any anomalies should be immediately flow checked.

FLOW CHECKS

If there is any indication that the well may be flowing then a flow check shall be conducted immediately. Flow checks shall also be conducted prior to commencing a trip out of the hole, when the bit is at the shoe, prior to pulling the BHA through the BOP stack and if the well fails to take the calculated volume of fluid.

All significant drilling breaks, return flow abnormalities or unexplained pit volume variations shall be immediately flow checked. If in doubt – flow check.

SAFETY MEETINGS

A pre-spud safety meeting shall be conducted to ensure that all personnel are aware of the well objectives, local community issues, heritage issues, operating guidelines, environmental sensitivities of the location and reporting arrangements for this well. Minutes must be taken from this meeting. Representatives from the local community may also be invited.

Well control safety meetings shall be held prior to spud, as well as prior to drilling out each string of casing.

Pre-job safety meetings shall be held prior to conducting any non-routine or critical operations

Emergency engine shut down equipment shall be tested and operated weekly on all engines.

Safety drills shall be held periodically at the discretion of the Operator's Representative.

Pre tour safety meetings should be held, reviewing the next 12 hours operations, and the Drilling Contractor's job safety assessment and work permit procedures should be followed.

1.8 Leak Off Tests

A 'leak-off test' or 'formation integrity test' will be conducted in the open hole after drilling 3 meters of new hole below the 13 3/8" and 9 5/8" casing shoes. The purpose of the test is to determine the competence of the formation below the shoe and the competence of the primary cement job around the shoe.

The following is the recommended leak-off test procedure:

1. Drill out cement plus 3 meters of new formation using mud from the previous section.

2. Circulate clean to a balanced mud weight.
   Note: The fluid in the hole should be a mud, and not a fluid with no, or only dissolved, solids.

3. Pull the bit back into casing shoe.

4. Make sure the hole is filled up and close the BOP (Annular) around the drill pipe.

5. Rig up the test pump to the drill pipe or annulus. Use a pressure gauge of appropriate range mounted at the pump unit manifold.

6. Slowly pump mud until pressures begin to increase. Volume pumped will start from this point.

7. Pump 0.25 bbl and wait for 2 minutes or the time required for the pressure to stabilise in case this takes longer.

8. Record the volume pumped, and the bleed back stabilised pressure.

9. Repeat items 6 & 7, plot pressures versus cumulative mud volume for each pumped volume increment.

10. Continue procedure until the final stabilised pressure after the waiting time, deviates from the expected pressure based on the plot. Keep well closed in to verify that a constant pressure has indeed been obtained.

11. Bleed off pressure and establish volume of mud lost to the formation.
    Note: If there is a solid float valve in the drill string, bleed off at the choke line, and not at the pump unit. If the float is ported then bleed off at the pump unit, and monitor the annulus pressure to ensure it is bled off before opening the Annular Preventer

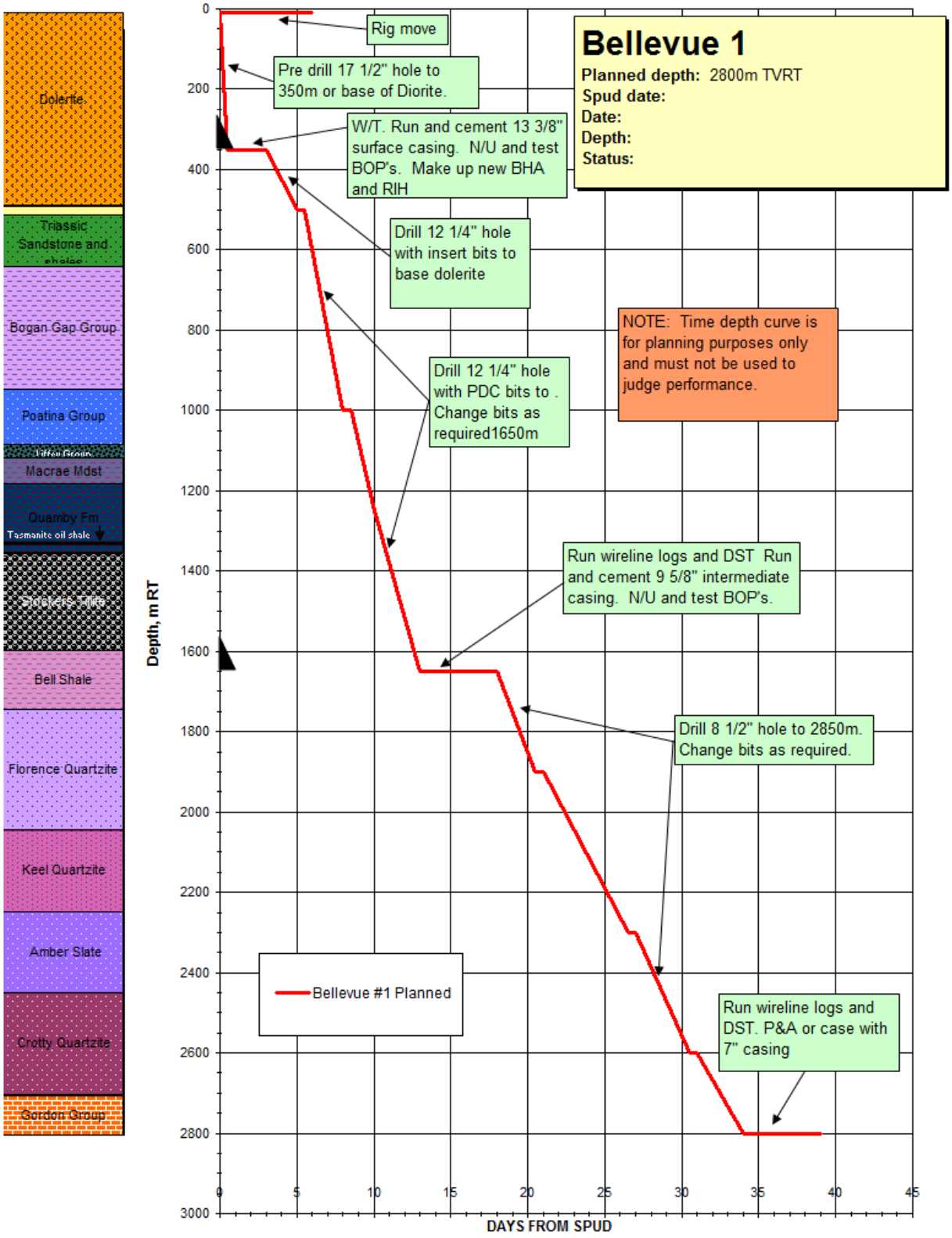
12 Open the BOP (Annular) and resume drilling operations.

13. Record maximum stabilized pressure, TV depth and equivalent mud weight of this test on the next 'Daily Drilling Report' and the 'IADC' report.

For Bellevue 1 the following 'Leak Off Test' values have been used to determine the kick tolerance:

Casing Shoe	Hole Size	Vertical Depth	Leak off test (ppg)	Kick Tolerance
13 3/8	17 1/2	350 m	13.1 ppg EMW	30.7 bbls
9 5/8"	8 1/2"	1650 m	10.5 ppg EMW	32.0 bbls

1.9 Time vs Depth Curve.


Bellevue 1
Planned depth: 2800m TVRT
Spud date:
Date:
Depth:
Status:
Rig move
Pre drill 17 1/2" hole to 350m or base of Diorite.
W/T. Run and cement 13 3/8" surface casing. N/U and test BOP's. Make up new BHA and RIH
Drill 12 1/4" hole with insert bits to base dolerite
Drill 12 1/4" hole with PDC bits to . Change bits as required1650m
NOTE: Time depth curve is for planning purposes only and must not be used to judge performance.
Run wireline logs and DST Run and cement 9 5/8" intermediate casing. N/U and test BOP's.
Drill 8 1/2" hole to 2850m. Change bits as required.
Run wireline logs and DST. P&A or case with 7" casing
Bellevue #1 Planned
Depth, m RT
DAYS FROM SPUD
Dolerite
Triassic Sandstone and shales
Bogan Gap Group
Poatina Group
Macrae Mdst
Quamby Fm
Tasmanite oil shale
Bell Shale
Florence Quartzite
Keel Quartzite
Amber Slate
Crotty Quartzite
Gordon Group

2. DETAILED DRILLING PROCEDURES

The following procedures give a detailed outline of the operations sequence.

2.1 Construct Location

1. The landowner must be notified at least 14 days prior to any earthworks commencing. He should also be consulted regarding the lease building process to ensure any issues he may have can be resolved.

2. The location will scouted, pegged, surveyed and constructed to accommodate Hunt Rig 3.

3. The lease will be constructed by a competent earthworks contractor who has local experience. The sump shall be lined.

4. Once constructed the lease will be fenced.

5. The rig will be moved to the location on a day rate move basis.

6. A representative sample of the cementing water should be forwarded for analysis, as soon as possible.

7. The turkey's nest shall be filled prior to spud.

8. The drilling contractor will be responsible for ensuring potable water is supplied to the rig camp.

2.2 Move Rig. Set Conductor and pre drill 17 ½" hole.

The logistics coordinator, ITAC, will coordinate the rig move from Launceston to Bellevue. Prior to the rig move commencing ITAC will prepare a Traffic Management Plan which will address the following:

- Requirements for escorting oversize loads
- Obtaining all required permits.
- Scouting the route and checking for low slung power lines
- Confirming that the chosen route is suitable for the loads being carried
- Liaising with Forestry Tasmania and Gunns regarding trucking movements.
- Liaising with local police.

Geophysical data indicates that the dolerite in this area is 500m thick and due to the very low rates of penetration that would be expected if this hole section was drilled conventionally (using an oil drilling rig) it has been decided to set the conductor and air drill the 17 ½" hole as deep as possible with a mineral rig. Geological supervision will be provided to monitor the lithology and terminate the drilling if it appears to be getting close to the base of the dolerite (this will be indicated by the presence of microcrystalline Dolerite or glass in the cuttings). If requested by Mineral Resources Tasmania a mudlogging unit will also be onsite to monitor gas readings.

Regional studies and data from mineral and water wells drilled in the area indicate that there is a very low probability of encountering hydrocarbons while drilling the dolerite, and consequently this section of hole will be drilled as a mineral hole with a mineral drilling rig and without BOP's.

The 20" conductor will be set at 20m or into the top of the dolerite to isolate any shallow aquifers that may be present. In the Bellevue location the dolerite is expected to be 10 to 20m below surface and is overlain by Cenozoic volcanogenic sediments and the 20" conductor will either be set below this into the top of the consolidated dolerite or at 20m. The 20" conductor will be grouted in place if required.
Once the 17 ½" hole has been air drilled the hole will displaced with mud and the mineral rig moved off location pending the arrival of the drilling rig.

The conditions set out in the Environmental Management Plan referred to elsewhere in this program also apply to the operations of the mineral rig. During drilling of this hole section the SOP's developed by Spaulding's for this rig will be used in all operations to ensure this hole section is safely drilled..

The following procedure will be used to pre-drill the 17 ½" surface hole.

NOTE Due to a lack of deep hole exploration in the area, the following should be used as a guide only as a varied number of unknowns may hinder the mineral rig in reaching target depth.

The rig provided by Spaulding's will be the Foremost Dual Rotary 24. This rig is a truck mounted rig with on-board air compressor, and will be floated to site. Drilling will be conducted using high pressure Down-the-hole hammers, with support of three other high pressure compressors to facilitate in reaching target depth.

0 – bedrock:	8"steel conductor pipe
Bedrock - target depth (300 – 400m):	8" test hole grouting all major aquifers at the company discretion as encountered.
Opening of Test hole First Pass 12":	0 - bedrock: 20" conductor pipe Bedrock to target depth: 12" diameter'
Opening of Test hole Second Pass 1	Bedrock to total depth: 17 ½"

If drilling conditions are favorable the 12" pass may be omitted and the hole opened directly to 17 ½".

2.3 Move Drilling Rig to Location - Rig Up

1. The rig move will not start until the Traffic Management Plan is in place and approved.

2. Rig rate operations will normally cover the following:
    - Move on to location.
    - Rig up.
    - Install the rat hole and mouse hole (if not previously installed)
    - N/U riser/bell nipple and flowline etc.
    - Inspect rig.

   Rig Move rate operations end and 'Day Rate' operations commence, when the bit goes through the R/T to start the clean out trip.

3. The conductor will be preset before the rig arrives on location.

4. The drilling contractor will cut the conductor above the cellar base, to suit the length of his riser/bell nipple. The bell nipple and flowline will be installed, and the drilling contractor will weld a nipple/ball valve in the conductor, below the bell nipple connection, to drain the bell nipple etc. A cellar pump should also be installed.

5. During rigging up operations an independent inspector will inspect the rig to determine it is "Fit for Purpose". Where practical items identified as critical should be fixed prior to spudding. If a critical item can not be fixed prior to spud then a risk assessment must be undertaken and procedures put in place to ensure operations can safely continue. If sufficient safeguards can not be put in place to ensure the safety of the operation then drilling will not commence until the item is fixed.

6. The Drilling Supervisor will inspect and accept rig and equipment prior to spud. The rig 'on hire' commences when these operations are complete, and the bit is made up and run through the rotary table ready to spud.

2.4 Clean out 17 1/2"Hole / Run 13 3/8" Casing. (Spud – Approx 350m)

2.4.1 General Notes:

- The 17 /2" surface hole will be drilled to either the top of the Hornsfels or the capacity of the mineral rig (at approximately 350m)

- The 13 3/8" casing will be cemented back to surface.

- If required a top-up cement job will be carried out on the surface casing, in order to provide sufficient structural support for the BOP.

- The mud system to be used to clean out the well will be gel based spud mud with additions of 2-3% KCl as required. Circulate HiVis pills as required to clean the hole.

- The bradenhead will be a slip on weld type and will be welded to the 13 3/8" BTC surface casing using a certified pressure welder and following the manufactures recommended procedure.

- Ensure coupling on last joint of casing is backed off slightly prior to cementing so that it will back out with the landing joint.

- Casing threads should be visually inspected and cleaned. The casing should be drifted with the API drift size, which is 12 inches in length. Note: Thread cleaning should be carried out with water **not** diesel.

- The 13 3/8” BTC x 13 5/8” bradenhead should be checked for size and damage to the threads at the spud stage. Confirm all the requisite studs, nuts, ring gaskets, side outlet valves and fittings are all ready for assembly.

2.4.2 17 1/2” Hole Cleanout

1. Pick up the bit, bit-sub a slick 6 ½” BHA (with jars) as per Section 6.0.

2. Pick up drill pipe and RIH to TD. Wash last 4 singles to bottom.

3. Circulate the hole clean and circulate Hi Vis pill if required.

4. Run survey, POOH to 150m and run survey. POOH.

2.4.3 13 3/8” Casing Sequence

1. Hold pre job safety meeting. Rig up to run 13 3/8" casing. Make up shoe and a two joint shoe track with float on top of second joint. Check operation of the floats, removing auto fill-ups. Thread lock the shoe track.

2. Ensure circulating swedge and hose are on the rig floor before starting to run the casing.

3. Run casing to setting depth, partially fill every joint and completely fill every 5 joints and install centraliser’s as per running list.

4. **Ensure that the circulating swedge thread is appropriate for the casing being run.** Make up circulating swedge to last joint but only circulate down if tight hole noted.

5. Make up circulating swedge and circulate the landing joint down. Measure in to the required setting depth. Continue to circulate and reciprocate casing until shakers are clean, gas returns to background levels and a minimum of two annular volumes.

6. Condition the mud suitable for cementing.

7. **Soft break casing collar on the last joint**, so that it can be backed out with the landing joint prior to installation of the Bradenhead.

8. Pump 40 bbl water 'Spacer' as per Section 10.

9. Hold pre job safety meeting. Rig up cementing contractor. Make up 13 3/8" cement head. Put bottom plug into casing and install top plug into cement head. Pump 5 bbls water and pressure test lines to 3000 psi for 5 minutes.
   Note: Make up cement head adaptor to a joint of casing prior to running the casing to ensure compatibility.

10. Mix and pump lead and tail cement slurries according to cement program. Three samples of the lead slurry and three samples of the tail slurry should be collected. The slurry densities should be checked (use a pressurized mud balance if possible).

11. It is the responsibility of the cementing contractor and the drilling supervisor to ensure that both the top and bottom plugs are installed and released correctly.

12. Pump 5 bbls water behind to flush lines, release top plug and displace with 5 bbls of water. Displace cement. Bump plug to 500 psi above final circulating pressure and hold for 5 minutes. If floats holding pressure test casing to required pressure for 10 min. Release pressure and record flow back. Do not displace more than 100% of theoretical casing volume plus 50% of the shoe track volume.

    If the floats do not hold, then pump back the volume of mud bled off, pressure up to the differential pressure of annulus to pipe, and WOC. If cement returns are observed during the job then divert to the sump.

13. **Regardless of cement returns a top up job will be run.** Run a 1" stinger 12m into the annulus circulate clean, and perform a top-up cement job with approximately 50 sx class A cement and $CaCl_2$ to provide accelerated structural support for the BOP.

2.5 Nipple Up Casing Head and BOP

1. Drain and flush riser, open turn-buckles and raise conductor. Flush the riser clean to visually ensure correct placement of the casing collar.

2. Wait on cement a minimum of 4 hours from top up job or until surface cement samples are firm enough to support string weight. Slack off string and back out the casing collar. Ensure collar on bottom of landing joint backs out on landing joint. Rig down all casing running equipment.

3. Empty and clean mud tanks while WOC. Keep sufficient old mud in pill tank to drill shoe track.

4. Pump out and clean up cellar area and prepare bradenhead while WOC. Ensure the casing is open at surface during WOC.

5. Install 13 5/8" 5000 psi x 13 3/8" bradenhead and weld onto the 13 3/8" casing as per the manufacturers recommended procedure.

6. Nipple up BOP stack and drilling spool. Note: The BOP ram configuration should be 4½" pipe rams over blind/shear rams.

7. Run the BOP test plug, and pressure test BOP stack, mud standpipe manifold, choke manifold and ancillary well control equipment.

8. Run the cup tester, close pipe rams and test the bradenhead/casing connection as outlined in Section 11.
9. Pull cup tester, **run wear bushing**.

2.6 Drill 12 1/4" Intermediate Hole / Run 9 5/8" Casing. (350m – 1650m)

2.6.1 General Notes:

1. The 9-5/8" casing will be cemented back to 150m inside the 13 3/8" casing shoe..

2 A KCL Polymer mud system will be used to drill this section of hole. Keep the mud weight as low as possible and adhere to the mud program. Circulate HiVis pills as required to clean the hole**.**

3. The 9 5/8" casing will be landed inside the 11" x 5k casing spool.

4. Casing threads should be visually inspected and cleaned. The casing should be drifted with the API drift size, which is 12 inches in length with a diameter of 8.765 inches.

   Note: Thread cleaning should be carried out with water **not** diesel.

5 Section TD will be determined by the lithology. The aim is to set the intermediate casing in the Bell Shale. This will allow the Permian and Triassic formations to be isolated before penetrating the Siluro-Devonian formations below.

6 The mudlogging unit will monitor H2S at the shakers, cellar and rig floor. Drilling can not continue if any H2S sensor is not working. A CO2 detector will also be run by the mudlogging unit.

2.6.2 12 1/4" Hole Drilling Sequence.

1) After nippling up and testing the BOP's pick up the bit, bit-sub, crossover sub and kelly to spud then continue picking up the 12-1/4" semi packed BHA as per Section 6.0
2) Drill out the shoe track using mud.

3) Clean out rat hole and drill 3m of new hole.

4) Perform Leak-off test.

5) Run Totco surveys approximately every 100m. This can be increased to every 150m if deviation remains low.

6) There is a potential reservoir immediately below the dolerite/Hornfels so ensure all kick detection systems are operating while drilling this hole section.

7) Ream each connection to minimize any deviation and to clean up the hole.

8) Change bits as required. PDC bit will be the preferred bit through this section.

9) Make wiper trips as hole conditions dictate. As a guide do not exceed 36 hours drilling between wiper trips.

10) Circulate the hole clean prior to all trips, and for at least 10 minutes prior to running any other surveys.

11) Using the 9-5/8" casing tally, determine the actual casing setting depth. Drill the 12-1/4" hole to fit the casing tally with no more than 3m of rathole. Ensure that the casing string is properly spaced out to have a casing collar at the required well-head level.

12) Use barite not drill solids for weighting up. Increase mud weight to 9.1 - 9.3ppg for hole stability if required when approaching section TD.

13) At section TD, circulate HiVis pill and circulate hole clean, drop survey, POOH to surface. RIH to bottom, circulate HiVis pill and circulate hole clean, condition mud, POOH and lay down 8" drill collars.

14) Run wireline logs. A full logging suite will be run, Sonic, resistivity, GR, caliper, neutron density. One gun of sidewall cores will also be run.

15) Run Drill Stem Tests (contingent on shows and wireline log interpretation). Any significant mudlog show or wireline log anomaly may be tested by post logging inflate straddle test.

2.6.3 9-5/8" Casing Sequence

1) Rig up to run 9-5/8" casing. Hold pre job safety meeting. Make up shoe and a two joint shoe track with float on top of second joint. Check operation of the floats, removing auto fill-ups. Thread lock the shoe track.

2) Ensure circulating swedge and hose are on the rig floor before starting to run the casing.

3) Run casing to setting depth, partially fill every joint and completely fill every 5 joints and install centraliser's as per running list.

4) Ensure that the circulating swedge thread is appropriate for the casing being run. Make up circulating swedge to last joint but only circulate down if tight hole noted.

5) Make up circulating swedge and circulate the landing joint down. Measure in to the required setting depth. Continue to circulate and reciprocate casing until shakers are clean, gas returns to background levels and a minimum of two annular volumes.

6) Condition the mud suitable for cementing (YP 12-14 max). Circulate at equivalent annular velocity used when drilling l2-¼" hole.
7) Pump 40 bbl water 'Spacer' as per Section 10.

8) Hold pre job safety meeting. Rig up cementing contractor. Make up 9-5/8" cement head. Put bottom plug into casing and install top plug into cement head. Pump 5 bbls water and pressure test lines to 3000 psi for 5 minutes.
   Make up cement head adaptor to a joint of casing prior to running the casing to ensure compatibility.

9) Mix and pump lead and tail cement slurries according to cement program. Three samples of the lead slurry and three samples of the tail slurry should be collected. The slurry densities should be checked (use a pressurized mud balance if possible).

10) It is the responsibility of the cementing contractor and the drilling supervisor to ensure that both the top and bottom plugs are installed and released correctly.

11) Pump 5 bbls water behind to flush lines, release top plug and displace with 5 bbls of water. Displace cement. Bump plug to 500 psi above final circulating pressure and hold for 5 minutes. If floats holding pressure test casing to required pressure for 10 min. Release pressure and record flow back. Do not displace more than 100% of theoretical casing volume plus 50% of the shoe track volume.

12) If the floats do not hold, then pump back the volume of mud bled off, pressure up to the differential pressure of annulus to pipe, and WOC. If cement returns are observed during the job then divert to the sump.

13) Wait on cement a minimum of 4 hours or until surface cement samples are firm enough to support string weight.

14) Set casing slips and cut casing.

15) Nipple up the drilling spool and 13-5/8" BOP stack.

16) Run the BOP test plug, and pressure test BOP stack, mud standpipe manifold, choke manifold and ancillary well control equipment.

17) Run the cup tester, close pipe rams and test the bradenhead/casing connection as outlined in Section 11.

18) Pull cup tester, **run wear bushing**.

2.7 Drill 8 ½" Hole / Run 7" Casing

2.7.1 General Notes:

1. Maintain mud weights as required to keep well overbalanced by at least 150 psi.

2. Flow check all significant drilling breaks and ensure all primary kick detection systems are calibrated and working.

3. Change bits if required. The bit program shown below is for guidance only, actual bit selection will depend on the lithologies penetrated.

4. Maintain the drilled solids as low as practical at all times by fully utilizing all available solids control equipment. Dump and dilute if required.

5. 7" production casing will be run in the 8 1/2" hole if the well is to be used for later production.

6. On receipt of the casing, it should be laid out, numbered and strapped (including pup and marker joints). The threads should be cleaned and visually inspected, and all joints drifted to the API size.
   Note: Threads must not be cleaned with diesel, use high pressure water instead

7. The casing slip & seal assembly, "C" section, and suspension valve, should be checked. Confirm all the requisite studs, nuts, ring gaskets, side outlet valves and fittings are all ready for assembly. Ensure there is a small hydraulic hand pump (with fittings) to pressure test the casing hanger and adapter. (See Wellhead Manual).

8. The surveying procedure for this section will be Totco survey at 100m intervals, to TD. If deviation remains low the survey frequency may be increased to 150m. A survey should be taken at TD prior to POOH.

9. If production casing is run then the turkeys nest liner should be left in place so that the turkeys nest can be used during the completion and production phase of the well. If the well is to be abandoned then the liner should be removed.

10. All pore pressure indicators should be closely monitored while drilling and any anomalies reported.

11. This section will TD at either 2800m or once sufficient Upper Limestone Member (Gordon Group Limestone) has been penetrated to allow evaluation of its hydrocarbon potential.

2.7.2 8 1/2" Hole Drilling Sequence (1650m – 2800m):

1. The maximum depth for this well will be 2800m (regardless of lithology) as this is the maximum depth the rig can safely drill to with 4 ½" drillpipe in 8 ½" hole. The toolpusher, drillers and drilling supervisor must know the limits of the rig and must ensure these are not exceeded. If the hole becomes unstable and significant

overpulls are being recorded then the well may be terminated early. If there are any concerns regarding the capacity of the rig operations must be suspended pending clarification from both Hunt and GSLM management.

2. Make up a new packed 8-1/2" BHA and RIH to top of cement.

3. If the plug did not bump, pressure test the casing prior to drilling out the shoe track.

4. Drill out the shoe track and 3m of new hole. Circulate clean to a balanced mud weight.

5. Perform Leak Off Test as outlined in Section 2.5.

6. Drill 8 1/2" hole, optimising ROP once top stabiliser is below the shoe.

7. Make wiper trips as hole conditions dictate. As a guide do not exceed 36 hours drilling. Circulate the hole clean prior to all surveys and trips.

8. Run surveys every +/- 100m, to TD. A survey should be taken at TD prior to POOH

9. Drill ahead changing bits as required. Bit selection will be decided after discussion with the drilling manager and will be dependant on the drilled lithologies and observed bit wear. PDC bits will be the preferred bit through this section.

10. Drilling parameters should be kept constant as much as possible through the potential reservoir sections.

11. At TD circulate hole clean and condition mud if required. Make a wiper trip back to old hole and POOH (strap out) to run wireline logs.

12. Run Electric Logs as advised by wellsite geologist. A full suite of logs will be run (sonic, GR, resistivity, neutron density, caliper, SP, CST)

13. Depending on log evaluation DST's may be run. If post logging DST's are run a wiper trip may be required.

14. Circulate hole clean. POOH and make up test tools as required.

15. Run DST, POOH and lay down test tools.

2.7.3 7" Casing Sequence (if required):

1. Make up a rock bit (no jets) on slick BHA. RIH, circulate hole clean and condition mud if required. POOH laying out drill pipe and drill collars. Pull wear bushing.

2. Lay out kelly and swivel.

3. Rig up to run 7” Casing. (change pipe rams to 7” and pressure test bonnet seals). Ensure the circulating head (7” BTC pin x 2” weco half union) is on the drill floor prior to the 7” going below the 9 5/8” casing shoe..

4. Make up float collar one joint above the float shoe. Check operation of floats. Threadlock the shoe track.

5. Run casing to setting depth, filling every 5 joints. Install centralisers as per section 9.

6. Circulate at least the last joint of casing down.

7. Ensure that there are no collars between the rig floor and the setting profile. Continue to circulate until shakers are clean, gas returns to background, and a minimum of two hole volumes. Condition the mud suitable for cementing (YP: 12 - 14 max). Circulate at equivalent annular velocity used while drilling. Ensure that all fluid (mud or spacer) remaining in the annulus above the top of cement contains 2000 ppm biocide, do not add corrosion inhibitor to avoid damage to formation.

8. Use rig pumps to pump SAPP spacer.

9. Rig up Halliburton. Make up 7” cement head with plugs installed. Drop bottom plug and pump 5bbls water to ensure plug release. Pressure test lines to 3,500 psi for 5 minutes. Pump remainder of spacer.
   Note: Ensure that a ‘Side Manifold’ is used with the Cement Head, and that there is a connection to enable the surface lines to be flushed.

10. Mix and pump the lead and tail cement slurries, according to Section 10. It is the responsibility of the Halliburton cementer and drilling supervisor to ensure that both the top and bottom plugs are installed and released correctly.

11. Flush any cement from the surface lines, to ensure that there will be no cement left inside the casing on top of the top plug. Release the top plug and displace cement with 5 bbls ‘Spacer’ followed by inhibited brine at a minimum of 6 bpm. Do not displace more than 100% of theoretical casing volume plus 50% of the shoe track volume. If the floats do not hold, then pump back the volume of mud bled off, pressure up to the differential pressure of annulus to pipe, and WOC.

12. Bump plug to 500 psi above final circulating pressure and hold for 5 minutes. Slowly pressure up and test casing for 10 minutes. Release pressure and record flow back.

13. WOC to set for a minimum of 4 hours. After WOC for two hours every second nut can be removed from bottom BOP flange.

14. Run the slip and seal assembly and slack off casing. Lift BOP’s and check slips are engaged properly. Rough cut casing and lay out landing joint. Remove BOP’s and make final cut on casing 4 ½” above the top of the bradenhead flange.

15. Nipple up “C” section with X-bushings installed. The X-bushings should be energized and the “C” section and connection pressure tested to 2000 psi. (Use Wood group if possible).

16. Dump and clean pits. Release rig.

2.7.4 Abandonment (if required)

If production Casing is not run, the well will be abandoned with cement plugs and the wellhead removed. Any formations containing hydrocarbons must be isolated, as must formations of different water salinities. Formation salinities will be determined from wireline logs and any water recovered from Drill Stem Tests. Table 2.6.4 below is an indicative abandonment program only and will be modified based of actual formations drilled and log derived formation salinities.

Note 1: The surface casing will be cemented back to surface and the intermediate casing will be cemented back to inside the surface casing so all formations above the intermediate shoe will be isolated from each other.

Note 2: The shoe plug should be pressure tested to 200 psi above leak-off pressure.

Plug	Formation	Age	Top	Bottom	Interval
1	Upper Limestone Mbr	Ordovician	2675m	2725m	50m
2	Shoe Plug	Devonian / Casing	1610m	1675m	65m
4	Surface plug	Inside casing	0m	15m	15m

Table 2.6.4: Indicative Abandonment Program.

The following is the general guideline for setting abandonment plugs.

1. Make up mule shoe, 150m of 2 7/8” tubing stinger on 4 ½” DP (if the 2 7/8” stinger is not available use 4 ½” DP). RIH to the first plug setting depth. Circulate one hole volume.

2. If a tubing stinger is available this will have the following features:
   a) The shoe of the bottom joint should be cut and welded to form a closed end bull nose.
   b) Plate centraliser ribs should be welded near the bottom to ensure stand off, and to ease RIH.
   c) The bottom joint should have 4 circulating slots cut between 1 and 2 meters above the shoe.

3. Pump spacers and set balanced cement plugs as per the abandonment program.

4. Wireline logs will be used to confirm all depths.

5. All cement plugs (other than surface plug) will be not less than 45m in length. The top of each cement plug is recommended to be 25m above the top of the formation it is covering. Cement volumes shall be calculated on caliper volumes plus 10% excess. If caliper log data not available use theoretical volume plus 20% excess.

6. Ensure there is a minimum of 100m of fresh water spacer, balanced in front and behind cement plugs to ensure separation from the chlorides in the KCl mud.

7. Pick up above each plug and circulate clean. Pull back to 10 - 30m below the next plug. Spot a 10 - 20m hivis pill if required. Pull back 10 - 30m to the next plug setting depth.

8. Before setting the cement plug across the 9-5/8" casing shoe ensure mud left inside the casing contains 2000 ppm biocide / corrosion inhibitor.
9. Pressure test the 9 5/8" shoe plug to 200 psi above the LOT pressure.

10. POOH and lay down excess drill pipe.

11. RIH to 30mRT, with 2-7/8" stinger. Circ and spot a 10m HiVis pill (YP=50). Pull back to 15m, and set the surface cement plug from 15m back to the wellhead. (Monitor returns at the wellhead side outlet to ensure no cement into the BOP). POOH to wellhead, circ to clean BOP etc. Lay down 2-7/8" stinger.

12. Pull wear bushing. Nipple down BOPs and back out the bradenhead. Weld on cover plate. Install well identification plate.

13. Release the rig. From this point all operations are covered by the Rig Move rate.

14. The turkeys nest should be emptied to the sump and the liner removed as part of the lease clean up (if the well is cased and suspended do not remove turkeys nest liner).

2.8 DRILL WATER SOURCE

Drill water for Bellevue 1 will be from a nearby freshwater quarry lake. Gunns have approved the use of this water. The wellsite mud engineer must check the water before making up any mud, and report the following:

Chlorides	(mg/l)
Calcium	(mg/l)
Magnesium	(mg/l)
pH	
Bicarbonates	(mg/l HCO)
Carbonates	(mg/l CO)

2.9 Directional Plan & Wellbore Surveying

2.9.1. General Notes:

No specific target tolerance is given for this well. A nominal target of 100m radius will be assumed.

Survey intervals will normally be 100m but this may be increased to 150m intervals if inclinations remain low.
A GPIT directional survey may be run as part of the wireline logging program

2.9.2 Survey Program

20" Conductor.

The 20" conductor will not be surveyed.

17 1/2" Hole

The 17 1/2" hole will be surveyed on the clean out trip prior to running the 13 3/8" casing at TD and at 150m

12 1/4" Hole

The 12 1/4" hole will be surveyed, whilst drilling.
Surveys will be taken at 100m or 150m intervals and at TD.

8 1/2" Hole

The 8 1/2" hole will be surveyed, whilst drilling with.
Surveys will be taken at 100m or 150m intervals and at TD.
A GPIT survey may be run as part of the wireline logging program.

2.10 Formation Pressure

2.10.1 Expected Pressure

Based on regional data and information from mineral wells a normal pore pressure gradient of 8.6 ppg EMW has been assumed for this well. This would give a maximum surface pressure of 3097 psi (assuming gas to surface from 2800m). The well has been designed to allow a 30 bbl gas kick to be shut in and circulated out without fracturing the formation at the shoe from a depth of 2800m.

It should be noted that very little drilling has been done in Tasmania and **higher than expect formation pressures could be encountered at any depth**. The drilling and casing program will be adjusted as required to ensure that safety margins are not exceeded if higher than expected formation pressures are encountered.

- NOTE: 5000 psi BOP's and wellhead equipment will be used on this well to ensure sufficient safety margin.

Fracture gradients are not known for this area but based on the expected lithology they are estimated to be significantly higher than the values required for a 30 bbl kick tolerance. Formation integrity tests will be run after drilling out both the surface and intermediate casings to confirm this.

2.10.2: Well Control Procedures

Primary well control will be maintained by keeping the mud weight high enough to give a minimum 150 psi overbalance at all times. Mud weights will be no less than 9.0 ppg while drilling the intermediate and production holes.

During drilling operations the well will be monitored at all times for indications of increasing formation pressure. The parameters that will be monitored will include:

- Background Gas. An increasing trend in background gas may indicate increasing formation pressure.
- Connection Gas. The occurrence of connection gas indicates formation pressure is very close to mud hydrostatic.
- Hole conditions.
- Cavings. The presence of large splintery (propeller shaped) cavings is often an indication of increasing formation pressure.
- Rate of Penetration. An increase in the rate of penetration over a significant interval while the drilling parameters remain constant may indicate increasing formation pressure.
- Mud properties. Changes in mud salinities may indicate minor influx of formation fluids.
- Drilling parameters.

If there are indications that the formation pressure is increasing then the mud weight may be increased. If possible this should be discussed with the Drilling Manager first.

Drilling operations shall be carried out in such a way as to minimize the size of any influx of formation fluids and the following equipment and procedures shall be used to ensure this.

- The trip tank shall be used and a trip sheet filled out for all trips out of the hole. The trip tank may also be required for trips in the hole below any permeable reservoirs.
- All significant drilling breaks will be flow checked.
- Pit volumes, total gas and return flow will be calibrated and operational at all times while drilling below the surface casing shoe. If any of these items fail then drilling should be stopped until the equipment is repaired.
- When tripping out of the hole 5min flow checks shall be made after 5 stands, 10 stands, casing shoe and top of BOP's.
- Well control drills will be carried out to ensure all crew are proficient in these procedures.
- The hole shall be kept full of mud at all times.

If there is any indication that the well may be flowing then the well should be shut in and monitored for pressure. **If in doubt shut in.**

2.10.3: Well Control Equipment

After the surface casing has been set the 13 3/8" 5k BOP's will be nippled up and tested. The BOP's will then be function tested every day and pressure tested every 14 days and will be controllable from both the Koomy unit and the drill floor. The rig will also be equipped with an accumulator unit which (with pumps inoperative) must be able to:

- Close all BOP functions
- Open al BOP functions
- Close the annular

- Open the HCR valve.

2.11 Housekeeping

The following procedures will be in place to ensure the drilling of Bellevue is undertaken safely and has the minimum impact on the environment.

- Any material removed when building the lease will be stockpiled on the location. When the lease is restored the stockpiled material will be returned to the lease.
- Once the lease is built the location will be fenced and the drilling operation will remain within the fenced area.
- The sump will be lined with a plastic liner to prevent the drilling fluid contaminating the groundwater.
- Once the well is finished any fluids in the sump will be transferred to a recognized waste area.
- All sewerage will be collected in designated buried tanks. The contents of these tanks will be transferred to the appropriate waste disposal facility at the end of the well.
- All rubbish will be collected into rubbish skips and removed from location.
- All spills will be cleaned up immediately and recorded in the Spill Register.
- Drainage ditches will be dug round the rig to ensure any waste material flows into the sump.
- On abandoned wells, as soon as practical after the rig moves the lease will be restored as required by the Environmental Management Plan.
- The rig will be kept tidy and all unused equipment correctly stored.

3. DRILLING FLUID

The following notes are for general guideline only. A detailed drilling fluids programme will be produced for this well.

The make up water should be checked as soon as possible, as it may have an effect on the initial mud formulations.

The 17 1/2” hole section will be air drilled and no mud program is required for this section. Prior to the mineral rig moving from the location the well will be displaced to mud to prevent any water influx while the drilling rig moves onto location.

A Gel/KCl mud will be used on the cleanout trip prior to running casing.

The 12 1/4” and 8 ½: hole sections should be drilled with a 2% KCl-Poymer system with hi-vis sweeps if required. PHPA may also be added if required to help encapsulated any hydrating clays that may be encountered. Mud weights through both these sections should be maintained at a MINIMUM of 9.0 ppg but should be increased immediately if there is any indication of increasing formation pressure.

Barite or KCl should be used for all slugs prior to trips. KCl should be used in preference to barite but if several trips are made in quick succession barite may have to be used to prevent increasing the KCl concentration too much. Barite should be used for weighting up if required.

The drilled solids should be maintained as low as practical (to minimize formation damage) by using the finest practical shaker screens and dumping / diluting if required.

While drilling the 12 ¼” and 8 ½” hole sections any significant downhole mud losses should be treated immediately by circulating a LCM pill. If losses persist then a LCM pill should be spotted over the loss zone and allowed to soak.

Ensure that the corrosion control programme is followed. Particular attention should be paid to maintaining alkalinities in the programmed range.

Bactericide should be added to the mud to prevent the build up of bacteria that can rapidly degrade the polymers. Care should be taken when adding the bactericide to ensure it is not added too fast as this can affect the muddlogging H_2S detectors causing erroneous alarms.

4. BIT AND HYDRAULICS

The bit program below is preliminary only and will be amended as required by actual drilling conditions. Sufficient backup bits will be on location to allow considerable variation to the program.

DRILL BITS AND HYDRAULICS SUMMARY

Bit Size	17 1/2	12 1/4"	12 ¼"	12 1/4"	8 1/2"	8 ½"	8 ½"	8 1/2
Type	1.1.7	5.3.7	5 blade	6 Blade	5 Blade	6 blade	8 Blade	8 blade
Designation	Tooth	Insert	PDC	PDC	PDC	PDC	PDC	PDC
Depth In	350	350	500	1300	1650	1900	2200	2500
Depth Out	350	500	1300	1650	1900	2200	2500	2800
Distance	0	150	800	300	250	300	300	300
ROP (m/hr)	Cleanout	2	9	5	4	3	3	3
RPM	120	50	70-120	40-70	40-70	60-100	60-100	60-100
WOB (klb)	0-2	35-50	5-30	10-35	30-50	10-35	10-35	10-35
BHA Type	Slick	Slick	Semi-packed	Semi-packed	Packed	Packed	Packed	Packed
Motor	No	No	Yes (?)	Yes (?)	Yes (?)	6 ½"	6 ½"	6 1/2
Nozzles	3x26	3x18	5 x 18	5 x 18	3 x 18	5 x 12	5 x 12	5 x 12
Pump gpm	750	650	600	600	600	350	350	350

In the 17 1/2" hole section, a flow rate of 700 - 750 gpm will be used to ensure efficient cavings removal.

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In the 12 ¼" hole section flow rates of 650 – 500 gpm will be used to maintain good hole cleaning and to help optimize ROP.

When drilling the 8 ½" hole flow rates of 400 - 300 gpm shall be used to maintain good hole cleaning and optimize bit hydraulics.

The actual hydraulics should be calculated and adjusted on the rig site.

Bit Numbering Convention.

Bits should be numbered sequentially and each run should be uniquely identified. If a bit is run in the hole it should be called NB#? (e.g. NB#5) if it is a new bit and RRB#? (e.g. RRB#5) if it has been run on a previous well. In both cases the bit number will be the next in sequence (e.g. if for bits have been run then the next bit will be either NB#5 or RRB#5). For each subsequent run the bit is called a re-run bit and given a run number (e.g. RRB#5.1). Note the bit number is still the same as that used on the first run, it is only the run number that changes.

5. BOTTOM HOLE ASSEMBLIES (Indicative only, actual BHA will be determined on location)

Bit Run No:	**1**	**2**	**3**	**4**
Bit IADC	117	All	All	All
Bit Size	17 ½”	12 1/4”	8 ½”	8 ½”
BHA				
Type / Component	Slick	Semi packed	Packed motor	Packed
NBS & Float		12 ¼” NBS	8 ½” NBS	8 ½” NBS
DC	16 x 6 ¼” DC	1 x 8” DC or 6 1/2” mud motor	1 x 6 ¼” Mud motor	1 x 6 ¼” Pony DC
Stabiliser		12 1/4” SS	8 ½” SS	8 ½” SS
DC		2 x 8”	1 x 6 ¼”	1 x 6 ¼”
Stabiliser			8 ½” SS	8 ½” SS
DC		21 x 6 ¼”	21 x 6 ¼”	21 x 6 ¼”
Drilling Jar	6 ½	6 1/2	6 ½”	6 ½”
DC	2 x 6 ¼” DC	2 x 6 ¼”	2 x 6 ¼”	2 x 6 ¼”
HWDP	6 x 4½”	6 x 4½”	6 x 4½”	6 x 4½”

NOTES

1. Use 12 ½” string stabilisers
2. If the 8 ½” NBS is not available replace with a NBRR.
3. First 8 $^{1}/_{2}$” stabiliser / reamer should be in gauge to $^{1}/_{16}$” undergauge.
4. Top 8 $^{1}/_{2}$”” stabiliser should be no more than $^{1}/_{8}$” undergauge when run in the hole.
5. Discuss with the drilling manager any change to the drilling jar position in the string.
6. A Totco ring should be positioned in the 17 ½”, 12$^{1}/_{4}$” and 8 ½” BHA’s.
7. Maximum WOB shall be limited to 90% of the available buoyed weight below the drilling jars. Check this at time of making up the BHA.
8. Run non-ported float and Totco ring in both 12 $^{1}/_{4}$” and 8 $^{1}/_{2}$” hole BHA’s.

6. WELLHEAD DETAILS

All wellhead equipment will be 5000 psi.

The well will utilize the following wellhead equipment:

1. Wellhead:
   Wood Group Pressure Control, Type WG 22, 13 5/8” 5k x 13 3/8” BTC”

2. “B” section:
   13 5/8” 5k x 11”, 3k , Wood Group Pressure Control, Type WG

3. “C” section:
   11” 3k x 7 1/16”, 3k , Wood Group Pressure Control, Type WG TCM-X
   Bottom connection : 13", RX-53 Flange.
   Top connection : 7 1/16”, 5000 psi RX-45 Flange.

4. Blind Flange
   7 1/16” 5000psi x ½” NPT with needle valve and pressure gauge

Refer to the Wellhead Equipment Manual for equipment and procedural details.

A Wood Group engineer is available and can be called to the rig if required.

7. CASING DESIGN

7.1 Casing Design Criteria

Burst:

Surface Casing	1) Leak off pressure at the shoe with a gas gradient to surface. 2) Assumes a casing test pressure of 2800 psi with mud on the inside of the casing and water on the outside of the casing.
Production Casing	Internal load equal to a leak or failure in the top of the string during production and the casing evacuated. The mud behind the casing is assumed to have deteriorated. Formation still at virgin pressure and production fluid is gas.
Burst Safety Factor	1.1
Collapse:	Internal load equal to complete evacuation External load equal to mud hydrostatic
Collapse Safety Factor	1.0

Tension:

Tension Running	Equal to un-buoyed weight
Tension Press Test	Equal to buoyed weight plus pressure test axial load
Tension Safety Factor	1.6

7.2. Casing Details Summary

The following casing sizes will be run (Note Casing of higher grade or weight may be used instead of the casing listed below:

Casing String	Surface	Intermediate	Production	Production	Production
Hole size (in)	17 1/2	12 1/4	8 ½	8 ½	8 ½
Casing size (in)	13 3/8	9-5/8	7	7	7
Top Depth	**0**	**0**	**0**	**565**	**2040**
Bottom Depth	**350**	**1650**	**565**	**2040**	**2850**
Grade	K55	K55	K55	K55	K55
Weight (**lb./ft**)	54.5	36	26	23	26
Connection	BTC	BTC	BTC	BTC	BTC
Nominal Wall (in)	0.760	0.352	0.362	0.317	0.362
Inside diameter (in)	12.615	8.921	6.276	6.366	6.276
Drift Diameter (in)	12.459	8.765	6.151	6.241	6.151
Capacity (**bbl/ft**)	0.1545	0.0773	0.0382	0.0394	0.0382
Coupling OD (in)	14.375	10.625	7.656	7.656	7.656
Make up	To base of triangle	To base of triangle	To base of triangle	To base of triangle	To base of triangle
Float Equip	Halliburton	Halliburton			Halliburton
Float Shoe*	Non Rotating	Non Rotating			Standard
Float Collar*	Non Rotating	Non Rotating			Standard
Shoe Track Length	2 joint	2 joint			1 joint
Threadlock	Shoe Track	Shoe Track			Shoe Track
Plugs	PDC drillable	PDC drillable			Standard

- Use Halliburton tables for any field calculations.
- 7" casing will only be run if required
- Safety factors will be recalculated using actual depths prior to running casing.

Casing Safety Factors

CASING DESIGN

					SAFETY FACTORS					
Size (in.)	Grade	Wn (lbm/ft)	Depth (m)	Length (psi)	Collapse	Burst	Tension			Biaxial
							Running	Cementing	Pressure	
7	K55	26	0		N/A	1.56	1.56	2.00	1.62	N/A
		26	500	500	5.67	1.54	1.85	2.52	1.95	4.63
7	K55	23	500		4.28	1.35	1.60	2.22	1.70	3.49
		23	2045	1495	1.05	1.28	3.24	7.50	3.70	0.99
7	K55	26	2045		1.40	1.46	2.99	8.51	4.29	1.31
		26	2800	755	1.02	1.44	5.60		12.83	1.02

NOTE: The safety factor for tension while running the 7" 26lb/ft production casing is 1.54 which is slightly below the recommended value of 1.6. Care must be taken when running the last 500m of casing to minimize any shock loading.

7.3. Marker Joints

A marker joint for perforating and production logging control shall be positioned 15m above each potential pay zone separated by more than 75m. The marker joints will be 3m (10ft) in length and will be of the same weight and grade as the casing string in which it is being run.

8.0 CENTRALISER PROGRAMME

13 3/8" Casing (Bow Spring Type):
1 on the middle of the first and second joints (across stop collars)
1 on the coupling of the third joint
1 on the first coupling below base cellar

9-5/8" Casing (Bow Spring Type):
1 on the middle of the first and second joints (across stop collars)
1 on the coupling of the third joint
1 over each coupling from 15m above to 15m below any pay zones
1 on the first, third and fifth coupling above the 13 3/8" casing shoe.

7" Casing (Bow Spring Type):

1 3m above the float shoe
1 3m above the float collar
1 on the next 2 couplings
1 over each coupling from 15m above to 15m below any pay zones
1 over the first third and fifth couplings above the 9 5/8" shoe

9. CEMENTING

Note: For all slurries listed below, the following cementing information should be given to the cementing contractor, with a request to confirm the recipes required to give the listed properties.

9.1 General Notes:

1. A detailed Cementing Program will be provided by the cementing contractor for each cement job.
2. As soon as possible after equipment arrives on location check that the cement head crossovers will make up to the relevant casing.
3. Prior to all casing cement jobs, ensure that the cement unit has a working and calibrated chart recorder, and that the Compupac system is functioning. After the job Halliburton will provide a job log including annotated Compupac log.
4. **Ensure correct cement head has been sent to rig (threads match).**
5. Cement coverage is shown in the table below.

	Lead Slurry	**Tail Slurry**	**Top up**
Conductor	Conductor base back to cellar floor.		
Surface Casing	120m above shoe to Surface.	Shoe to 120m above shoe.	12m below cellar to surface.
Intermediate Casing	Either 120m above shoe or 65m above hydro-carbons to 150m above 13 3/8” shoe	Shoe to either 120m above shoe or 65m above hydrocarbons	Not required
Production Casing	Either 120m above shoe or 65m above hydro-carbons to 150m above 9 5/8” shoe	Shoe to either 120m above shoe or 65m above hydrocarbons	Not Required.

9.2 Conductor

The 20” conductor is to be installed at a minimum depth of 10m below the cellar base. This will be grouted in place if required.

9.3 13 3/8" SURFACE CASING

Notes:

1 Cement contractor will perform slurry pilot tests using the selected source water.
2 NF5 Defoamer should be used when mixing all slurries.
3 The 13 3/8” casing will be cemented to surface in a single stage, using a lead and tail slurry.
4 Cement volumes should be calculated at the rig and then confirmed with the Drilling Manager in advance of the job.
5 Ensure 2 plugs are used in the cement head.
6 When circulating after landing casing, reduce the YP to a maximum of 14.
7 Reciprocate casing during cementing and displacing.
8 Displace cement with mud using cement unit or rig pumps. Use rig pumps to bump plug and pressure test casing.

9.4 9-5/8" INTERMEDIATE Casing

Notes:
1 Cementing contractor will perform slurry pilot tests using the selected source water.
2 NF5 Defoamer should be used when mixing all slurries.
3 The 9-5/8” casing will be cemented to 120m inside the 13 3/8” casing shoe in a single stage, using a lead and tail slurry.
4 Cement volumes should be calculated at the rig, then confirmed with the Drilling Manager, in advance of the job.
5 Ensure 2 plugs are used in the cement head.
6 When circulating after landing casing, reduce the YP to a maximum of 14.
7 Reciprocate casing during cementing and displacing.
8 Displace cement with mud using cement unit or rig pumps. Use cement unit pumps to bump plug and pressure test casing.

9.5 7” Production Casing

Notes:
1. Cementing contractor will perform slurry pilot tests using the selected source water.
2. Defoamer should be used when mixing all slurries.
3. Allow for dead volume in tanks when calculating mixwater and chemical requirements.
4. The production casing will be cemented back to 150 m inside the 9 5/8” surface casing in a single stage, using a lead and tail slurry.
5. Cement volumes should be calculated at the rig, then confirmed with the Drilling Manager in advance of the job.
6. Ensure plugs are correctly loaded.
7. Pump the spacer and flush before releasing the bottom plug.
8. When circulating after landing casing, reduce the mud YP to a maximum of 14.
9. Prior to the job Cementing contractor will furnish a job simulation to the wellsite.
10. Reciprocate casing as for as long as possible during cementing and displacing.
11. Use cement unit or rig pumps to displace cement but bump plugs with cement unit.

Spacer / Flush: Pump the following sequence:
a. Rig to pump 30 bbls SAPP / drill water (8 ppb SAPP) flush
b. Halliburton to pump10 bbls Water Spacer
c. Pressure test surface lines and equipment to 3500 psi.
d. Halliburton to pump 10bbls water spacer

10. PRESSURE TESTING SCHEDULE

1. After installation of the BOP's, the pipe rams, choke and kill line valves, choke manifold, mud standpipe manifold, and kelly valves are to be tested to 3100 which is the maximum possible surface pressure assuming gas to surface from 2800m. The annular preventer is also to be tested to 1500 psi. This can be done with a Test Plug or a Cup Type Tester.

2. Blind rams shall only be tested against a Test Plug, after backing out the drill pipe.

3. Casing Head is designed to accommodate the maximum surface pressure, assuming gas to surface from TD). The casing head test should be carried out using 13 3/8" Cup Type Tester, against the 4 ½" pipe rams, at the initial BOP test phase.

4. All tests are to include a low pressure test prior to testing to the high pressure.

5. Test pressures shall be held for 5 minutes for low and 10 minutes for high pressure tests.

7. If the BOPs are tested with a test plug the wellhead connection, and the Casing Head side outlet valves must be pressure tested separately with a cup tester.

8. BOPs shall be tested prior to drilling out each casing string and then every 14 days (first operationally suitable opportunity thereafter), with a Test Plug. (not the Blind Rams)

9. The accumulator unit shall be tested prior to drilling out the casing on which the BOP's are first installed. The tests required are:

   a) The accumulator bottles shall be precharged to 1200 psi (with Nitrogen).
   b) Accumulator recharging pumps (air and electric) should be set to 'start' at approx 2,600 psi, and 'stop' at approx 2,800 psi.

10. An accumulator performance test is required to be carried out to determine if there is sufficient accumulator storage volume available. The procedure for this test is as follows:
    - Switch off all accumulator recharging pumps (air and electric).
    - The accumulator fully charged pressure should be approx 2,800 psi.
    - Close and Open each of the BOP functions.
    - There should still be approx 1,400 psi (i.e. 200 psi above precharge) of accumulator pressure available.
    - Refer to the 'Drilling Operations Manual' for details.

    Note: If this test does not confirm satisfactory volume is available then the Drilling Manager must be informed

11 DRILLING MONTAGE

Great South Land Minerals Limited

Great South Land Minerals Limited ABN 54 068 650 386

DRILLING PROGRAM

BELLEVUE 1 (SEL 13-98)

Well Type: Wildcat Exploration Well
Rig: Hunt Rig 3

Northing: 5,338,904 mN (AGD 66,
Easting: 465,904 mE AMG Zone 55)

Hunt Energy Rig #3 KB = 5m
Ground Elevation = 1070 m (approx)

Mt MD (RT)	Potential Targets	LITHO-LOGY	PA	WELL SCHEMATIC	CASING/ WELLHEAD	CEMENTATION	DRILLING FLUID	EVALUATION	WELL DATA	PROVISIONAL BIT PROGRAM	BHA Data	FLOW RATE	GENERAL COMMENTS
250		Dolerite	17 1/2" Hole, 200m, 350m	13 3/8" Csg, 230m, 347m	SURFACE CASING 13 3/8" csg 0 - 350m (approx) 56lb/ft K55 BTC (Not confirmed) Two joint shoe track. Air drill surface hole as deep as possible or until Hornsfels unit	SURFACE CASING Lead to surface: 30% excess, Wt 11.8 ppg, liquid additives Tail to 120m above shoe: 30% excess. Wt 15.8 ppg. Displace with mud	SURFACE HOLE Air drill to approx 350m Displace with mud prior to moving mineral rig off location Use Gel spud mud to clean out hole prior to running casing.	SURFACE HOLE Gas dector and mudlogging unit may be run IF REQUIRED	20" Conductor set 10-15m below cellar floor. in top of the Dolerite	10m - 350m 17 1/2" Hamer bits as required	Air drilling BHA	AIR DRILL	**This will be one of the first oil/gas exploration well drilled onshore Tasmania and thefore all personne hust be alert for possible problem at all times.** Pit volumes MUST be closely monitored and any anomilies flow checked. Gas detectors MUST be operational during ALL drilling and circulating
500		Unit 2	12 1/4 Hole	9 5/8 Casing	INTERMEDIATE CASING 0m - 1650m 9 5/8" 36# K55 BTC Make up casing to the triangle. Two joint shoe track. 12 1/4" 36# K55 BTC marker joints to be run no more than 15m above pay zones more than 75m apart. Set casing shoe 50m into Bell Shale at approximatly 1650m.	INTERMEDIATE HOLE Lead from 120m above shoe or 65m above hydrocarbons to 150m inside 13 3/8 casing shoe. Wt 11.8 ppg, liquid additives Tail to 120m above shoe or 65m above any hydrocarbons. Wt 15.6 ppg, liquid additives Cement excess 10% over caliper or 20% over theoretical if caliper not available Do not over displace any job by more than half the shoe track volume Displace cement with mud Cementing contractor will provide detailed cement program prior to job.	INTERMEDIATE HOLE 3-4% KCl-Polymer Mud weight 8.8 ppg 9.0 ppg PV ALAP, YP > 10lbs/sqft API Fluid loss < 7cc's pH 8.5 - 9, PHPA may be added if required Mud properties should be adjusted as indicated by hole condition Any down hole losses should be treated with LCM's as required via periodical sweeps or direct additions. Reuse sump water where Pit volumes must be closely monitored at all times and any anomalies flow checked See mud program for more detail.	INTERMEDIATE HOLE Mudlogging - Samples every 3 meters or less frequently if required due to fast ROP. Wireline Logs: Run 1: BHC-DLL-MSFL-GR-Cal-SP FDC-CNL Run 2: CST Drill Stem Tests Post logging, inflate straddle DST's will be run to evaluate shows	INTERMEDIATE HOLE Test BOP's to 2000 psi Perform LOT Totco surveys every 100m. Min LOT for 30bbl Kick Tolerance = 13.1ppg EMW Expected press. (ppg): Pr grad of 8.6 ppg EMW. expected. Max surf pr = 1825 psi (assumes GTS from 16500m)	350-Base Dolerite NB#1 12 1/4" insert bit IADC 537, 3 x18 Jets Base Dolerite - 1300m NB#3 12 1/4" PDC Bit 5 blade 16mm cutters 5 x 18 jets 1300m - 1650m NB#5 12 1/4" PDC bit 6 blade 16/13mm cutters 5 x 18 jets	350m - 500m Slick Bit, 3x8DC, 20x6 1/2DC 500m - 1650m Semi Packed Bit, 12 1/4" NBS, 6 1/2" Mud motor 12 1/4" Stabiliser 2 x 8" DC's 18 x 6 1/2" DC's 6 3/4" Drilling Jars 2 x 6 1/2" DC's 6 x HWDP	350m - 1650m 500 - 650 gpm	**Crew competency** All personnel working for GSLM must be competent, qualified and trained in their job. No person should undertake any job/task for which they are not trained. **Rig "Fit for Purpose"** The rig shall be inspected by a third party inspector and signed off as being fit for purpose PRIOR TO SPUD. Planned and preventative maintaince systems will be used to ensure the rig remains fit for purpose for the duration of the program. If the rig is deemed at any time to not be in a safe condition operations will be suspended until the problem is resolved. The rig will be inspected by a third party inspector every 6 months after operations commence The drilling contractors operating procedures and systems will also be inspected.
750		Unit 1, Bogan Gap, Springmount Mdst											
1000		Poatina Group											
1250		Golden Valley Gp, Quamby Fm, Tasmanite Oil Shale											
1500		Stockers Hills	1500m, 1650m	1530m, 1647m									
1750		Bell Shale			PRODUCTION CASING 7" 23# and 26# K55 BTC 0m - 500 m 7" 26# K55 BTC 500m - 2040m 7" 23# K55 BTC 2040m - 2800m 7" 26# K55 BTC Single joint shoe track. 7" 26# K55 BTC marker joints to be run 15m above any pay zones WELLHEAD Wood Gp 13 3/8" BTC 5k x 13 3/8" 5k Casing Spool: 13 5/8" 5k x 11" 5k Casing Spool: 11" 5k x 7 1/16" 5k	PRODUCTION CASING Lead from 120m above shoe or 65m above hydrocarbons to 150m inside 13 3/8 casing shoe. Wt 11.8 ppg, liquid additives Tail to 120m above shoe or 65m above any hydrocarbons. Wt 15.6 ppg, liquid additives Cement excess 10% over caliper or 20% over theoretical if caliper not available Displace cement with kill weight brine containing Biocite and corrosion inhibiter Cementing contractor will provide detailed cement program prior to job.	PRODUCTION HOLE 3-4% KCl-Polymer Mud weight 8.8 ppg 9.0 ppg PV ALAP, YP > 10lbs/sqft API Fluid loss < 7cc's pH 8.5 - 9, Mud properties should be adjusted as indicated by hole condition Reuse sump water Pit volumes must be closely monitored at all times and any anomalies flow checked Pit volumes must be closely monitored at all times and any anomalies flow checked See mud program for more detail.	PRODUCTION HOLE Mudlogging - Samples every 3 meters or less frequently if required due to fast ROP. Wireline Logs: Run 1: BHC-DLL-MSFL-GR-Cal-SP FDC-CNL Run 2: CST Drill Stem Tests Post logging, inflate straddle DST's will be run to evaluate shows	PRODUCTION HOLE Test BOP's and casing to 3100p Pr test annular to 1500 psi Install wear bushings Performe LOT Min LOT for 30bbl Kick Tolerance = 10.5ppg EMW Expected press. (ppg): Pr grad of 8.6 ppg EMW. expected. Max surf pr = 3097 psi (assumes GTS from 2800m) Temp Gradient 2° f/100ft (estimated only)	1650m - 1900m NB#5 8 1/2" PDC bit 5 blade 16/13mm cutters. 5 x 12 jets 1900m - 2200m NB#5 8 1/2" PDC bit 6 blade 16/13mm cutters. 5 x 12 jets 2200m - 2500m NB#5 8 1/2" PDC bit 8 blade 13mm cutters. 5 x 12 jets 2500m - 2800m NB#5 8 1/2" PDC bit 8 blade 13mm cutters. 5 x 12 jets	1650m - 2200m Packed BHA Bit, 8 1/2" NBR 6 1/2" Mud motor, 8 1/2" String Stabiliser 1 x 6 1/2" DC 8 1/2" String Stabiliser 20 x 6 1/2" DC's 6 3/4" Jars 2 x 6 1/2" DC's 6 x HWDP 2200m - 2800 Slick BHA Bit, bit sub 20 x 6 1/2" DC's 6 3/4" Jars 2 x 6 1/2" DC's 6 x HWDP The serial numbers and drilling hours for all jars stabilisers and motors must be recorded on the daily drilling report.	1650m - TD 300 - 400 gpm	Drilling Summary Obtain regulatory approvals Build lease and acess roads Rig up mineral rig and air drill 17 1/2" hole to capacity of rig or base Dolerite Move mineral rig off location Move drilling rig to location and rig up Run and cement 13 3/8" surface casing N/U and test BOP's. M/U new BHA. RIH Drill 3m of new hole and perform LOT. Drill 12 1/4" hole to top Bell Shale at approximatly 1650m Run wireline logs & contingent DST's Run and cement 9 5/8" casing to 1650m Nipple up and test BOP's RIH and drill 3m new formation Run LOT Drill 8 1/2" hole to TD at 2800m (max). Run wireline logs. Run DST's (contingent on shows) If no hydrocarbons plug and abandon If hydrocarbons present run and cemen 7" production casing Nipple down BOP's Release rig.
2000		Florence Quartzite											
2250		Keel Quartzite	8 1/2" Hole	7" Casing									
2500		Amber Slate											
2750		Crotty Quartzite	TD 2800m (approx	2680m, 2797m									
2900													

TARGETS:

P & A PLUGS

Min plug length is 45 m
Pressure test 9 5/8" shoe plug.

SAFETY

No job is so important that safety needs to be compromised. All available tools (pre-job safety meetings, JSA's, Work Permits e.t.c.) should all be used to ensure a safe operation. It is more important to do the job safely than it is to do it quickly and no job should be rushed. All personnel MUST be trained in EVERY job they do. Any person has the right to suspend any operation they feel is unsafe. The drilling rig and ALL equipment must be "Fit for Purpose".

Plan your work and work safely

WELL OBJECTIVES: Evaluate the hydrocarbon potential of the Bellevue structure
WATER SOURCE: Drillwater, mixwater, cementing water - Freshwater quarry lake
Potable water - Town water
DRILLING HAZARDS: Overpressured formations. Stuck pipe due to sticky formation. Lost circulation in shallow sands. H2S. Slow drilling.
Differential sticking. Unexpected formations

Prepared by:	Checked by:	Date:
Duncan New	Clive Burrett	21 st August 2008

Contingent Bits
1 x12 1/4" IADC 117
1 x 12 1/4" IADC 417
2 x12 1/4" IADC 517
1 x 8 1/2" IADC 117
1 x 8 1/2" IADC 437
2 x 8 1/2" IADC 517
2 x 8 1/2" IADC 537
2 x 8 1/2" IADC 637
Others TBA

Max WOB = 85% of buoyed weight below jars.
A non-ported float and Totco ring must be run in all hole sections

Stabilisers and NBS should be changed out when 1/8" undergauge

Flow rates should be sufficient to give good hole clean-ing and low enough to reduce hole washout.

Rig Move: 6 days
Clean out surface hole 1.0 d
Surface casing. BOP's: 2.0 d
Intermediate hole: 11.0 days
Evaluate 12 1/4" hole: 3.0 day
9 5/8" casing and BOP's: 2 d
Drill 8 1/2" hole: 15.0 days
Evaluation: 3 days
P&A or C&S 2.0 days
Total=39.0 d (excluding move)