

22 June 2011

RE: RPS Energy Reports October 2008

Empire Energy Corporation International (Empire), through its wholly owned subsidiary Great South Land Minerals Limited (GSLM), have spent over AU\$50 million dollars over 35 years of exploration activities and performed a significant amount of work including the discovery of at least twelve previously unknown, very significant, potential petroleum structures over the 10 years proving the existence of three petroleum systems including the Larapintine Petroleum System, the Gondwanan Petroleum System and the existence of a third system through the discovery of dry gas and Helium in the Pre-Cambrian rocks in the Hunterston drill hole.

In identifying these petroleum systems, GSLM has proved the presence of quality source rocks, including the tasmanite oil shale which is an oil and gas source rock and is used as the world standard for Type 1 kerogen, that are thermally mature for the generation of gaseous and liquid hydrocarbons. This determination shows that hydrocarbons have been generated, expelled and migrated into potential reservoir units. Although recent seismic data has shown the potential for trapping mechanisms, the company undertook additional gravity and seismic work to identify potential drill targets.

Based on the seismic results, in 1997 GSLM acquired 152 line kilometres seismic survey. During 2001, GSLM completed 660 line kilometres of regional seismic survey. 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.

During 2003, GSLM re-entered and deepened the Hunterston#1 stratigraphic well to 1,324 m. Hydrocarbon gas was noted at various depths while coring and analyses of gas samples confirmed the presence of Helium gas (>1.0%) from the formations below the Tasmania Basin (Table 1). The Hunterston#1 cutting gas, trip gas and shows were similar to those encountered in Shitim#1 (which was flared). Table 1 shows more detail of the 7 holes completed by GSLM.

A total of 1,149 line kilometres 2D seismic survey has been acquired over SEL13/98 during 2006 and 2007. These surveys have indicated the presence of at least 12 (possibly 50) structures which have the potential to have trapped oil and gas. The two largest (70km x 30km) structures being the Bellevue Dome (anticline) and

the Thunderbolt Dome (anticline), structures over 2,100km² in area, and have the potential to contain substantial volumes of oil and gas.

Table 1: Stratigraphic boreholes completed by GSLM.

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

Source: Adapted from RPS Energy (2008).

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

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

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

In March and 2007, the seismic program commenced on a 58.76 line kilometre survey area in Tasmania around the township of Zeehan. The information obtained from this activity on an outside area assisted with the interpretation of the seismic signature of deeper rock sequences under the Tasmania Basin, which we have classified as being within the Larapintine petroleum system. It is one of three petroleum systems currently identified as prospective onshore Tasmania. The first is the Gondwanan petroleum system and is analogous to the Cooper Basin (in central Australia) and Eromanga Basin which was discovered in the early 1960's and supply gas to Adelaide, Melbourne, Sydney and Brisbane. The Larapintine system is analogous to

the Amadeus Basin in Central Australia which supplies gas to Darwin and is comparable with the Shittim #1 well for gas generation within the Tasmania Basin (high helium and high nitrogen). The third system is analogous to methane gas discovered in the Pre-cambrian (700,000 million year old) dolomites in the McArthur River area, Northern Territory.

During August and September 2008, GSLM commenced drilling on the Bellevue#1 site and completed the pre-collar hole to 272 metres. The initial air hammer rig was removed to make way for the deep drilling exploration Hunt Energy rig to move on site to finish the well to 2,600m.

Conclusion

Great South Land Minerals Ltd request RPS Energy to review and consider additional data regarding the Chance of Success calculations for the Tasmania Basin, which is currently around 2% (Refer to Table 2 of RPS Energy October 2008).

GSLM believe some of the following points (below) has not been taken into consideration by RPS Energy Pty Ltd.

- The chance of the success (COS) is significantly higher within Burrett 2011 and in Barrett 2010.
- The Tasmanian Basin is a virgin basin with Gondwanan petroleum system (comparable with Oman and Cooper Basins) and Larapintine petroleum system comparable with Tarim Basin in China;
- The Gondwanan petroleum system definitely has generated oil (within the Tasmania Basin) and fossil reservoir contains oil in late Permian sandstones south of Zeehan along the basin margin.
- Hunterston reservoir contains oil in late Permian sandstones south of Zeehan along basin margin.
- Gas at the Shittim #1 well (within the Tasmania Basin) is comparable to Late Proterozoic gas found in Amadeus Basin (C1-C9) which is high in helium and high in nitrogen (refer to Table 1).
- Oil and gas has been generated in Tasmania (Reid and Burrett, 2004).
- RPS only referred to Wakefield Geological Report, 2000 only and did not take into consideration his 2nd report (Assessment of Value, 2000).
- A 95% Probability of oil source has been suggested by Burrett (2011) based on the assessment that oil has been generated at (Late Permian) Lonnavele and Zeehan (also refer to Chester 2006).
- Dispersed Coal Measures were found along depth 848.6m (Faulkner Group) to 878m (Early - Middle Permian) In Hunterston well, which is located 30 km line of site from the Bellevue #1 well (Reid et al., Burrett 2003).
- Sponge rock was found to be 20-30% porosity within Hunterston

RPS have not taken into account some of the following Reports:

Other Reports

- Hunterston paper (Catherine Reid) – gas/coal measures
- Zeehan (Alan Chester - 2006 and Alan Cook) – source rock potential
- Wakefield (Economics Report 2000)
- Burrett (2011)
- Barrett (2011)

Gondwanan (COS)	Barrett, 2010	Burrett, 2011
Source %	70	95
Reservoir%	80	85
Trap%	90	90
Seal %	70	90
Success%	35	65

Larapintine (COS)	Barrett, 2010	Burrett, 2011
Source %		70
Reservoir%		66
Trap%		90
Seal %		90
Success%		37