

GREAT SOUTH LAND MINERALS LIMITED

ABN 54 068 650 386

2005 ANNUAL REPORT

FOR

MINERAL RESOURCES TASMANIA

SPECIAL EXPLORATION LICENCE 13/98

Dr Clive Burrett – Chief Geologist & Director
Ms Nicole Chesterman – Company Secretary

30 August 2005

2005 Annual Report

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Statutory Declaration

I, Nicole Chesterman

for Great South Land Minerals Limited

of Level 3, 65 Murray Street, Hobart Tasmania.

Declare that:

The information herein pertaining to the 2005 Annual Report on Oil and Gas Exploration is true and I make this solemn declaration by virtue of Section 132 of the Tasmanian evidence Act 1910.

Declared at Hobart this day of 2005.

.....(signature), before a Justice of the Peace or a

Commissioner of Declarations (signature)

Executive Summary

Great South Land Minerals Limited (GSLM) worked on the interpretation of the 2D seismic data acquired during 2001 (TB01).

In November 2004, Great South Land Minerals Limited commissioned Greg Blackburn of Terratek Petroleum Consultants Pty Ltd to provide a technical report on the exploration prospectivity of the onshore Tasmania Basin and a geophysical assessment of seismic data collated from the first regional survey, TB01.

The report concluded that of the mapped leads and information provided as part of the assessment report, the Bellevue Lead appears the most promising as it is unaffected by the late Tertiary movements of the Central Highlands area. The structure has been defined as consisting of large anticlinal and fault structures both within the Wurawina and Parmeener Supergroups (refer figures 28 & 29 Blackburn's Report). The Wurawina Supergroup at Bellevue is similar in thickness to that in the Florentine Valley to the southwest. Potential commercial reservoir targets at Bellevue are:

- Middle Permian Liffey Group sandstones, (1,000 m depth);
- Sandstone formations of the Eldon/Tiger Range Groups (at approx. 1,550 m to 1,700 m).
- The Upper Ordovician limestone of the Upper Limestone Member of the Benjamin Limestone Fm, particularly vuggy porosity horizons and reef and near reef facies at depths of 2,500+m below surface (Blackburn et al, 2004).

Other leads are likely to be found with further interpretation, and that further seismic interpretation of the pre-Permian is required to understand the regional structure. It is recommended that more field work is required to confirm many of the seismic interpretations.

Some of this work has been described by Andrew Stacey in his papers outlining the structural history of the Tasmania Basin. A number of papers and reports have been prepared describing the stratigraphical and geophysical data obtained from the drilling of the Hunterston dome and summarising the potential of the Gondwanan Petroleum System by PhD Candidates and fellows of the University of Tasmania.

GSLM together with the School of Earth Sciences at the University of Tasmania has continued with the ARC - SPIRT, joint research program.

Copies of final theses have not been received and are pending completion as at the date of this report.

The SPIRT team has confirmed that the Gondwana Petroleum System has all the elements of a petroleum system including excellent source rocks and a very large generative potential, with recoverable petroleum estimated in excess of 3 billion BOE. Based on the work of GSLM and the university team, it is calculated that there is a 65% chance that commercial quantities of petroleum will be discovered onshore Tasmania.

Great South Land Minerals Limited Merger with Empire Energy Corporation International

In order to find the petroleum, a \$21.5 million exploration program has been proposed for the next five years including the completion of an estimated 2000km of seismic and an extensive drilling program (stratigraphic and exploration wells). The program is to be supervised and funded through GSLM's parent entity, Empire Energy Corporation International (Empire).

During 2004 and the early part of 2005, GSLM and Empire engaged an affirmative action plan & the legal resources to complete the administration requirements associated with a 'friendly' reverse takeover, which was designed to expedite the release of funding to facilitate the exploration program & commitments of GSLM through Empire; an OTC Bulletin Board listed shell.

Background

In 2002, GSLM and Empire began merger discussions, which culminated the signing by GSLM and Empire, a Letter of Intent on 9 July 2002. The Letter of Intent set out in general terms a proposed form of merger between GSLM and Empire.

On 4 March 2005, Empire served a Bidder's Statement on GSLM in relation to the proposed merger and reverse take over Offer. The Offer provided 1 (one) Empire share in exchange for every 1 (one) GSLM share held. Upon confirmation of acceptance of the conditions of the Offer, GSLM shareholders became Empire shareholders. The closing date for receipt of acceptances was 7 April 2005.

The Director's of GSLM believed that the company did not have the ability to secure funding in its own right to meet the capital expenditure commitments of SEL13/98 and supported GSLM's prospects and capability of raising additional capital through the merger with Empire.

Empire received an overwhelming response of approximately 96.4% total acceptances in favour of the Offer, and moved to compulsorily acquire the remaining capital of GSLM in June 2005, publicly announcing confirmation on the 15 June 2005. The public listing of GSLM has also satisfied the contractual obligations of GSLM to fulfil condition 6, SEL13/98.

Empire has held a series of negotiations with parties interested in funding the exploration program which were conditional upon the successful completion of the merger. As at the date of this report, Empire has moved to further pursue and complete the negotiations.

Appendices C, D, E, F, G & H provide supplementary information relating to the merger.

Introduction

Exploration Objectives

The exploration objective of Great South Land Minerals Limited (GSLM) is to discover commercial quantities of oil and gas onshore Tasmania.

GSLM's current exploration strategy is based on an extensive seismic and drilling program involving the acquisition of up to 2000 line kilometres of seismic data, and is designed to:

- determine the extent of the two petroleum systems that have been outlined;
- define potential petroleum targets;
- test potential targets through a drilling program.

Licence Details

GSLM currently holds Special Exploration Licence SEL 13/98, which covers most of the Tasmania Basin. The licence covers an area of 15,039 square kilometres.

Under Part 2, Division 4 section 44-(1) of the Mineral Resources Development Act 1995, SEL 13/98, was granted for an initial period of 5 years, with the ability to extend the licence for another 5 years at the discretion of the Minister. The initial period expired on 18 May 2004.

On 28 October 2004, Special Exploration Licence 13/1998 – reduction and extension of term, was granted for a period of 5 years to 30 September 2009.

Condition 21 of the reduction & extension of the License specified any significant shortfall in expenditure at the end of each year (1 October) will result in revocation of the licence, which is considered to be less than 80% of the cumulative expenditure as at this date.

Mandatory expenditures are listed as:

Year	\$
1	\$ 4,272,800
2	\$ 6,688,800
3	\$10,528,000
4	\$15,752,000
5	\$17,200,000

For the quarter ending 30 June 2005, GSLM, as a wholly owned subsidiary of Empire Energy Corporation International (EEGC) moved to review the historic expenditures associated SEL13/98 and costs associated with the contractual obligations of the License.

This resulted in a claim for quarterly expenditure as at 30 June 2005 amounting to \$17,780,730.13.

Following an application from GSLM and OMERA, Mineral Resources Tasmania published details of changes to SEL 13/98 for public comment. Early 2005, the coal bed methane exploration rights associated with SEL 13/98 were removed and awarded to OMERA. GSLM retains 100% interest in the remaining oil and gas exploration rights of SEL 13/98.

Completed Exploration Work

Seismic Acquisition – TB01

A technical report describing the prospectivity of the onshore Tasmania Basin & geophysical assessment of seismic data acquired through TB01 has been prepared by Terratek Petroleum Consultants Pty Ltd and was forwarded to MRT in December 2004.

A copy of the report is available, attached as Appendix B.

Coal Bed Methane Program

In August 2003, GSLM surrendered the coal bed methane rights of SEL 13/98 conditional on MRT granting to OMER A a licence for the exploration for coal bend methane resources over an area of SEL 13/98 that was acceptable to OMER A.

No work specifically directed at evaluating any coal bed methane resource has been undertaken by GSLM during this period.

SPIRT Grant

GSLM together with the School of Earth Sciences at the University of Tasmania continued to cooperate in the Australian Research Grants- SPIRT joint research program.

The postdoctoral fellow, Dr Catherine Reid, has compiled relevant data on the petroleum potential of the Tasmania Basin and, after extensive fieldwork, collected numerous samples for rock-eval, petrophysical and palaeontological analysis. The results confirm the petroleum potential of the Tasmania Basin. After a careful and critical consideration of all the data, we calculate that, based on maturity estimates and Source Potential Indices the generative potential of the basin is extremely large and that the potential undiscovered resource for the basin may exceed 5 billion BOE with perhaps 2 billion BOE being reasonably recoverable. The Tasmania Basin is therefore comparable in size, age, geology, thermal history and potential resource to the Cooper Basin. Dr Reid has completed a stratigraphic log and palaeontological work on the Hunterston#1 stratigraphic well. She has also prepared a report on the Tasmania Basin – Gondwanan System. A number of case studies of small areas of the basin have been compiled combining maturity, thermal modelling and structural studies all of which encourage further exploration.

Mr Andrew Stacey (PhD candidate) has continued with his study and interpretations of GSLM seismic data concentrating on the central plateau region. Combining critical lithological-depth information from Hunterston#1 and the Tunbridge DDH and with advice from Dr Mike Swift, Dr David Leaman, Dr Andrew Wakefield, Dr Mike Roach and Dr Ron Berry. Mr Stacey is expected to complete his thesis in December 2005.

Mr Alan Chester (PhD candidate) has investigated the large masses of bitumen found in the highly deformed Proterozoic Oonah Formation in the Comstock Mine near Zeehan. Chester has sampled the relatively undeformed Late Proterozoic successions of NW Tasmania and has found relatively high TOC shales, which are the subject of ongoing rockeval studies. Mr Chester is expected to complete his thesis in December 2005.

Mr Jubo Liu (PhD candidate) purchased basin modelling software from Germany (PETROMODE) which, with PETROSYS, has been used to enter geological and geophysical data on the lease area. This study is being extended to include more realistic modelling of faults and the thermal consequences of dolerite intrusion. Mr Liu is expected to complete his thesis in April 2006.

Ms Kate Bromfield has completed an honours thesis (2004) based on mechanical excavations of the Jurassic sediments and volcanics preserved in a small graben near Lune River. This study confirms the existence of a supra-Triassic, non-dolerite overburden for the Tasmania Basin which has previously been suggested by apatite fission track studies and which has important implications for modelling of petroleum generation in Tasmania. See Appendix K.

Review of Results

The work of the SPIRT team performed (to-date) has confirmed:

Gondwana Petroleum System (GPS)

- The existence of excellent source rocks (Tasmanite Oil Shale) very good to good source rocks (Quamby-Woody Is Fms) and good source rocks (middle and upper Permian coals and carbonaceous shales). However, from drilling at Hunterston and from seismic interpretation it is likely that the best (i.e. earliest Permian) source rocks have a restricted distribution under the Central Plateau region. However, they are almost certainly present in Permian palaeotopographic lows which are evident on the seismic profiles.
- The generative potential of these source rocks is very high and that in excess of 2 billion BOE may be recoverable ranking the Tasmania Basin as a potentially globally 'Significant' basin.
- Clear basin comparisons are with the producing glacial marine Permian basins in Oman, and the Cooper, Surat and Perth Basins onshore Australia.
- The maturity of the Permian and Triassic increases from north to south across the Tasmania Basin being slightly immature for oil in the north to possibly entering the wet-gas window in the south of the basin.
- The existence of a mid-Jurassic volcano-sedimentary sequence of 182Ma has been confirmed preserved in a small graben in the far south of the basin. This adds to the apatite fission track data that suggests a widespread, post-Triassic overburden for the Tasmania Basin and accounts for the unexpectedly high maturity of the Permian sequence.
- Modelling suggests that these sequences probably became mature during the Tertiary and that suitable petroleum migration fairways are present on dipping fault blocks particularly to the east of the Central Plateau.
- Computer modelling suggests that maturation and migration would have charged sealed traps existing within the Tasmania Basin.
- The Liffey Group is a potential reservoir across much of the basin particularly in the north and central areas. Liffey Group sandstone porosity is occluded by secondary calcite cement where close to thick dolerite sheets as at Hunterston#1.
- Other reservoirs are found in secondary vuggy porosity decalcified breccias at depth at Hunterston #1 and in Lower Triassic sandstones.
- The potential Liffey Group reservoir sandstones have a low seismic velocity which allows the group to be easily picked on seismic sections.
- All suggested reservoir rocks have overlying seals.
- Helium values up to 7% in wet gas found within the Permian of Shittim #1 on Bruny Island suggests high impedance of fluid flow within much of the Permian and that the thick Jurassic dolerite sheets are and were effective seals.
- Intra-basinal traps are most likely to be fault traps.
- The source rocks, reservoirs, seals and traps, as well as the dolerite sheets can be successfully imaged using vibroseis allowing predictions and modelling of the thermal, hydrothermal and diagenetic effects of the pervasive dolerite.
- The GPS is potentially the most prospective petroleum system and suitable areas are currently being delineated for detailed seismic exploration.

- A reservoir x structure x HC-charge x sealed trap calculation, (using the method of Lerche and MacKay 1999 Economic risk in hydrocarbon Exploration, Academic Press, San Diego 404pp) gives a geological chance of success of about 0.65

Larapintine Petroleum System (Ordovician-Devonian)

- Source rocks are present within the Ordovician Gordon Group Upper Limestone Member but their thickness has not yet been assessed.
- Back calculations of TOC's suggest high values existed in the Early Palaeozoic.
- Comparisons with the producing Ordovician of the Appalachians, Tarim Basin and the Amadeus Basin.
- Wet gas and oil have been confirmed within the Gordon Group limestone suggesting that generation has taken place.
- Most of the Gordon Group is in the wet gas to dry gas window.
- Paleokarst reservoirs are probably present but will be difficult to find.
- Other reservoirs have not been confirmed but may exist within reefs in the Late Ordovician and sandstones in the Siluro-Devonian Eldon Group.
- Very large anticlinal structures, very probably within the Ordovician to Devonian are obvious on the seismic lines and include the Bellevue Anticline.
- The Larapintine Petroleum System needs testing by a deep stratigraphic well but the LPS remains less prospective than the GPS on current knowledge.

Precambrian

- Proterozoic oil and gas occurs onshore Australia and is a major source in Oman. Oil stains have been reported on shales in Tasmania but this may have migrated from the GPS, as at Zeehan.
- Thermogenic wet gas was found in folded Proterozoic in Shittim #1 and may have migrated along shallow dipping faults from less deformed Proterozoic or from younger rocks.
- Recently sampled Proterozoic shales have high TOC and samples previously sampled have a surprisingly low maturity.
- The relatively unknown undeformed Proterozoic should be further investigated but remains an unlikely prospect at the present time.

Copies of relevant reports and extracts for this research (to-date) are included in Appendices: I, J & K.

Feasibility Studies

In December 2004, PKF Corporate Advisory Services were commissioned to compile an Independent Expert Report and Financial Services Guide to provide the Director's of GSLM advice and opinion as to whether the Empire proposal represented a fair and reasonable Offer to the shareholders of GSLM, in line with the requirements of Section 640 of the Corporations Act 2001.

A copy of this report forms part of Appendix D.

Planned Exploration Work

Stratigraphic Drilling Operations

Well plans have been developed and previously submitted to MRT for two additional stratigraphic wells.

A stratigraphic well, to be named Lachish #1, is planned at a location near the Valleyfield Road approximately 9 km west of Conara on a property named "Stockwell". The well Lachish #1 is situated close to the intersection of two seismic lines TB01-PT and TB01-TE and are planned to be drilled and cored to a depth of 2,000 metres. The location is believed to be approximately 14 km from the centre of the Hummocky Hills structure. Full details are included in the Lachish #1 well program submitted to MRT on 9 October 2002.

A second stratigraphic well, to be named Gezer #1, is planned at a location approximately 5 km off-structure on the Bellevue anticline and near to the Marlborough Highway. Full details are included in the Gezer #1 well program submitted to MRT on 18 May 2001.

Conditional approval has been granted by MRT for the drilling / coring of both wells.

Depending on the results of the wells Lachish #1 and Gezer #1 it is planned to drill two additional stratigraphic wells. The wells will be located either on new structures revealed by TB02 & TB03, the shallow Tertiary structure near Bracknell or will be selected from the three locations that were initially drilled and cased in 1997, Lonnvale #1, Pelham #1 and Bridgewater #1.

The timing of the stratigraphic drilling work described above will depend on the time spent on each of the preceding wells. At the moment the plan is to mobilise a rig in Q1 2006 to drill the four stratigraphic wells back-to-back. The first well would be Lachish #1 followed by Gezer #1 and then the other two locations, however this may change depending on the exploration results & seismic survey.

Seismic Survey TB02 & TB03

The results of the interpretation of TB01 were used to plan the line locations for the next regional seismic survey, TB02. A total of 1147 line kilometres of seismic data acquisition is planned and an extension of the survey, TB03 is proposed to cover up to 150 line kilometres within application area SEL29/2005. As most of TB01 was not along roads, the TB02 & TB03 survey lines have been located wherever possible along public roads in order to minimise the impact of the survey on private land and environmentally sensitive areas.

Approximately 145 line kilometres of vibroseis seismic survey are located in the Central Highlands to define structures identified during the TB01 survey. The remaining line kilometres of vibroseis

seismic survey have been located along roads to extend the regional coverage over the Central Highlands, towards the East Coast, the Florentine Valley and Cockle Creek.

A preliminary meeting was held to discuss the environmental & work program requirements on 22 July 2005 as a precursor to confirming conditional approval to carry out the planned seismic lines. Paul Heath, Nicole Chesterman, Dennis Burgess, David Gatehouse and John Pemberton were present at the meeting.

The timing of the seismic work described above is dependant on the seasonal availability of seismic crew and equipment. Terrex Seismic Pty Ltd have been approached to undertake the task and have indicated mobilisation timeframe (earliest) 10th November 2005, providing all necessary preliminary permitting is completed. Empire and GSLM are currently confirming Terrex Seismic's interest in the operation and are finalising details of a Memorandum of Understanding. As soon as this documentation has been executed, formal approval will be sought from MRT to commence the program.

The proposed estimate Seismic budget for the TB02 program has been provided by Terrex Seismic (based on 1,000km program) and is outlined as follows:

		\$
Mobilisation / Demobilisation		500,000
Permitting		200,000
Recording		3,000,000
Line Pointing & Surveying		600,000
Processing		250,000
Field Supervision		100,000
Project Management		200,000
Seismic Interpretation		100,000
Sub-Total		4,950,000
<i>+ 5% over-run costs</i>		247,500
Total		5,197,500

Based on the above quotation, the full program is estimated to cost in excess of \$6,000,000 AUD.

Farm-in Drilling Operations

Negotiations are continuing with a number of potential farminees through EEGC.

GSLM's exploration program will be adjusted to include farminee work when negotiations reach the point where exploration programs are finalised and timelines for work commencement are definitive.

Exploration Budget

The cost of the planned drilling and seismic work for the renewal period has been estimated at \$21,500,000. A copy of our 2005-2009 Exploration Programme and associated Gantt chart is attached as Appendix L.

Expenditure

Exploration expenditure claimed by GSLM during the renewal period 01 July 2004 to 30 June 2005:

Geology	\$ 0
Geochemistry	\$ 0
Geophysics – gravity	\$ 0
Geophysics – magnetics	\$ 0
Geophysics – land seismic	\$ 205,711.45
Feasibility Studies	\$ 498,289.76
Drilling	\$ 94,500.00
Licence fee	\$ 25,696.18
SPIRT	\$ 14,338.68
Other	\$ 15,362,841.30
Administration (10%)	\$1,620,139.80
TOTAL	\$17,821,517.17

Management accounts have been prepared in conjunction with GSLM's first consolidated quarterly filing with the SEC through EEGC. A copy of these accounts are included as Appendix A.

Appendices

- A. Empire energy Corporation International Consolidated Financial Statements for the six months to 30 June 2004 & 2005.
- B. Summary Sesimic Interpretation Onshore Tasmania SEL13/98 by Greg Blackburn, Teratek Petroleum Consultants Pty Ltd.
- C. Review and Valuation of Petroleum Assets of Great South Land Minerals by Anderson Schwab Australia Limited.
- D. Independent Expert Report and Financial Services Guide by PKF Corporate Advisory Services.
- E. Bidder's Statement by Empire Energy Corporation International.
- F. Target Statement by Great South Land Minerals Limited.
- G. History of Empire energy Corporation International share price from 12 November 2004 to 29 August 2005.
- H. Press Releases, Company announcements and extracts of SEC Filings, Yahoo! Finance website: <http://finance.yahoo.com/q?s=EEGC.OB>.
- I. The Structural History of Tasmania: A Review for Petroleum Explorers by A.R Stacey and R.F Berry (PESA extract, September 2004).
- J. The Geology and Hydrocarbon Potential of the Glaciomarine Lower Parmeener Supergroup, Tasmania Basin by C.M Reid and C.F Burrett (PESA extract, September 2004).
- K. Palaeoenvironmental Reconstruction of the Jurassic, using Plant Macrofossils fro a site at Lune River, Southeast Tasmania by Kate Bromfield (Thesis, November 2004).
- L. 2005-2009 Exploraiton Programme Gantt charts.

CD Contents

CD containing the following files;

SEL1398_300805_01_report
SEL1398_300805_02_appendixA
SEL1398_300805_03_appendixB
SEL1398_300805_04_appendixC
SEL1398_300805_05_appendixD
SEL1398_300805_06_appendixE
SEL1398_300805_07_appendixF
SEL1398_300805_08_appendixG
SEL1398_300805_09_appendixH
SEL1398_300805_10_appendixI
SEL1398_300805_11_appendixJ
SEL1398_300805_12_appendixK
SEL1398_300805_13_appendixL