

# **GREAT SOUTH LAND MINERALS LIMITED**

ABN 54 068 650 386

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## **FINANCIAL REPORT FOR THE 18<sup>TH</sup> MONTH PERIOD ENDED 31 DECEMBER 2005**

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## DIRECTORS' REPORT

Your directors present their report on the company and its controlled entity for the 18 month period ended 31 December 2005.

### **DIRECTORS**

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

Mr Malcolm Bendall	Chairman – Executive	Current
Mr David Tanner,	Executive Director	Resigned 20/05/2005
Dr Clive Burrett,	Executive Director	Current
Mr Stephen Powell,	Non - Executive Director	Resigned 28/09/2005
Mr Phillip Simpson,	Non - Executive Director	Resigned 20/05/2005
Mr Richard Watson,	Non - Executive Director	Resigned 20/05/2005

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

### **Operating Results**

The operating loss of the company for the financial year after providing for income tax amounted to (\$2,026,182)

### **Principal Activity**

The principal activity of the economic entity during the financial year were was exploration for petroleum and natural gas in Tasmania

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

### **Review of Operations**

#### **Exploration Licence Renewal**

The exploration licence SEL 13/98 has been renewed effective 1 October 2004 with strict mandatory cumulative expenditure requirements.

The renewal, signed on 28 October 2004, covers an area of 15,035 square kilometres with a commitment by the company to a seismic and drilling expenditure program of AUD 21,500,000 over the five-year period.

#### **Exploration and Development Activities - SEL 13/98**

Great South Land Minerals Limited (Great South Land Minerals) commissioned Terratek Petroleum Consultants Pty Ltd to prepare a summary seismic interpretation of data resulting from the seismic survey TB01. The results of this interpretation were used to plan the line location for the next regional seismic survey, TB02. This was undertaken in autumn 2006. A total of 1347 kilometres of seismic data acquisition was undertaken and an extension of the survey, TB03 is proposed to cover up to 15 line kilometres within application area SL 29/2005. As most of the TB01 survey was not along roads, the TB02 and 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.

From surveys TB01 and TB02 and the resulting interpretation work, a further program of seismic testing is being planned for 2007.

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In November 2006, the company negotiated the purchase of a state-of-the art drill rig. This was paid for by Wind City Limited, and will arrive in Tasmania in 2007. It is planned to use the drill rig to test for gas and oil once the seismic program is completed and areas of interest identified.

### **Research ARC – Linkage Program on SEL 13/98**

In 2001 the Australian Federal Government, through the Australian Research Grants Scheme awarded the University of Tasmania and Great South Land Minerals Limited a \$417,000 three year Research and Development Grant to study the Petroleum Systems in Tasmania. This Grant enabled a team of University and GSLM geo-scientists to develop a computer model for the geological tectonic and fluid flow evolution of Central Tasmania for the last 500 million years.

Under the ARC Strategic Partnership in Industrial Research and Technology (SPIRT) grant that matches the Federal government funding with industry cash and in-kind contributions, the Commonwealth undertook to provide \$417,166 with GSLM to make further contributions.

As at 31<sup>st</sup> December 2005, GSLM had contributed a total of \$290,707.78, and the University of Tasmania had reported a total expenditure of \$502,850.80.

Research carried out during the year is summarised below.

PhD candidate Andrew Stacey has finished a review of the structural history of Tasmania and has assessed the structural history and palaeodip of potential petroleum fairways. His analysis included an interpretation of the main seismic lines within the Tasmania Basin and used seismic velocities obtained from a down-hole seismic survey carried out at Hunterston #1. Andrew Stacey continues to develop and expand his understanding of this area and undertakes work for the company on a casual basis as he works towards the completion of his PhD.

PhD candidate Jubo Liu continued to model petroleum generation in the Tasmania Basin. He has completed fluid flow modelling of an east-west seismic line, TB01-ST, from the central highlands to east of Tunbridge using the program PetroMod2. Results show that hydrocarbons are easily generated and reservoired in considerable quantities in this model when reasonable initial conditions based on measured and calculated geological parameters are input. Mr Jubo Liu earlier completed modelling of the Tertiary Longford Basin using Mr Paul Lane's interpretations of GSLM's seismic data. He has shown that, as expected, the basin is not deep enough to have provided maturation temperatures for indigenous source rocks. However, the presence of seismic turbidity, near the crest of the Bracknell Anticline, within a porous Tertiary sandstone sequence, may suggest the presence of petroleum migrated from the Gondwanan or older petroleum systems. Such migration may account for the gas found in three wells drilled in the Tertiary of northern Tasmania

Other research has led to the conclusion that there is potential within the Upper Permian Cygnet Coal Measures for hydrocarbon generation to occur suggesting that the Gondwanan petroleum system has operated onshore Tasmania. This confirms and enhances the prospectivity of both the Gondwana and Larapintine Petroleum Systems onshore Tasmania. (per Alan Chester, Dr Catherine Reid, John Bedi and Kate Bromfield).

### ***Going Concern and Liquidity:***

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

## GREAT SOUTH LAND MINERALS LIMITED

The financial statements are prepared on a going concern basis. However, significant uncertainties exist in relation to conditions that cast doubt upon the Company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the Company;
- Uncertainties in terms of the ability to generate cash flows in the future considering that production operations have not yet commenced;
- Extensive commitments for expenditure under the Company's key mineral exploration license; and
- Current liabilities of \$2,836,487 and current assets of \$38,889 including cash or cash equivalents of \$7,117 at December 31, 2005.

The exploration licence SEL 13/98 has been renewed effective 1 October 2004, and has strict mandatory cumulative expenditure requirements of \$4,272,800 by 30 September 2005, \$6,688,800 by 30 September 2006, \$10,528,000 by 30 September 2007, \$15,752,000 by 30 September 2008 and \$17,200,000 by 30 September 2009 without which the licence may be revoked at the discretion of Mineral Resources Tasmania.

In November 2006, the Minister for Economic Development and Resources wrote to the company noting their intention to revoke Special Exploration Licence 13/98 on the grounds of the failure of the company to comply with the mandatory cumulative expenditure requirements. This letter stated that "As of 30 September 2006, Mineral Resources Tasmania acknowledged an expenditure of \$2,865,689 which is \$3,823,111 short of the mandatory expenditure required by the end of the second year of the licence".

In November 2006, the company responded with a submission requesting the withdrawal of the notice of intention to revoke the licence and submitted numerous reasons why the licence should not be revoked. As a consequence of the submission, in January 2007 the Director of Mines responded and advised "that subject to an agreement being reached on your on-ground work programme, I will be prepared to recommend to the Minister that the revocation of your licence not to proceed". In March 2007, the company responded and confirmed the company's exploration work program, notwithstanding the fact the company believes it had met the licence conditions, having prepaid the seismic and secured additional resources such as new GEFCO Drill Rig from the United States to engage in an extensive ongoing seismic and drilling program during 2007.

A contract was entered into with Terrex Seismic and an amount of \$2,332,128 was made available to Terrex as a prepayment. This prepayment has been partly used to organise seismic trucks, permits and make preliminary arrangements for the seismic testing program to begin in 2007. The total contract is for \$4,000,000 and Terrex Seismic have invoiced the company for the total commitment, including the prepaid component.

The company has initiated the following activities and the following activities exist to address the above going concern issue:

These include:

- The directors have reviewed their short-term cash flow requirements and consider that the company has or has access to sufficient funds to meet the financial obligations of the company.
- In order to ensure sufficient funds for on-going exploration, Great South Land Minerals Limited entered into a Convertible Note Agreement dated 14 December 2006 with Wind City Inc for a value of USD 4 million. This arrangement was backed with a corresponding Warrant Purchase between Empire Energy International, its subsidiary Cyber Finance Group Limited and Wind City Inc on 5 January 2007.
- Under the Purchase Agreement, Wind City loaned USD 4,000,000 to Great South Land Minerals and Great South Land Minerals issued a floating rate note. GSLM's parent entity, Empire Energy, issued warrants in two tranches. Great South Land Minerals paid for and acquired a newly constructed drilling rig from George E. Failing Company and related support equipment. These assets will be transported to the company's site in Tasmania for the purpose of exploring the licence area in compliance with the licence requirements. The proceeds from the loan were also used to fund seismic services by Terrex Seismic.

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- In a separate guarantee agreement, Empire guaranteed payment of all amounts owing by Great South Land Minerals under the Floating Rate Note.
- Under a separate Security Agreement, Empire Energy pledged its equity interest in Pacific Rim Foods Limited (including any future-acquired securities issued by Pacific Rim) as security for performance of both its and Great South Land's obligations under the Purchase Agreement.
- On 5 January 2007 Cyber Finance, on behalf of Empire Energy, exercised the put option, and Empire Energy received USD 4,500,000 in consideration of the 4,500,000 ordinary shares of Zeehan Zinc, Ltd. In January 2007 USD 2,000,000 was advanced to Great South Land Minerals by Empire Energy to support its seismic, drilling and related head office activities within Great South Land Minerals' licence area.
- As additional security, a related company, Cyber Finance Group Limited ("Cyber Finance") granted Wind City a security interest in the form of an Equitable Mortgage of Shares over Cyber Finance's 7,281,407 ordinary shares of Zeehan Zinc, Ltd., an Australian mining concern.

### **Merger with Empire Energy**

**Background to the Merger:** On July 15, 2002, the Board of Directors of Empire Energy Corporation International (EEGC) unanimously approved the terms and conditions for the acquisition of GSLM as established by a letter of intent between GSLM and EEGC dated July 9, 2002 and amended on December 10, 2002 and October 16, 2003. Under this agreement, shareholders of GSLM would own approximately 95% of the EEGC common stock upon completion of this reverse acquisition.

At a shareholders meeting of EEGC held on March 29, 2004, all of the necessary shareholder approvals required by EEGC were obtained. On May 27, 2004, an agreement was entered into by GSLM and EEGC to actively pursue the merger of the two companies.

On July 2, 2004 EEGC obtained proceeds of \$500,000 of working capital by merging with Bob Owen and Company Inc., a Kansas Corporation ("BOCI"). At the date of merger, BOCI did not have any material assets and liabilities except for the convertible debenture purchase agreement with HEM Mutual Assurance LLC. EEGC used these funds to pay operating expenses and pursue its acquisition of GSLM.

On March 4, 2005, EEGC lodged a Bidder's Statement with the Australian Securities and Investment Commission to acquire all the share capital of GSLM in a one for one scrip issue. On April 7, 2005, EEGC announced that it had received 96.4% acceptances and on June 15, 2005 it compulsorily acquired the remaining common stock of GSLM.

In August 2005, the company agreed to purchase a 37.5% ownership interest in Zeehan Zinc, Limited, a Tasmanian mining company, by issuing 37.5 million of its common shares in exchange for all the outstanding common stock of the corporation that owned the 37.5% interest. The transaction was completed in November 2005.

### **Corporate Matters**

On 27 May 2004, the Company signed an agreement with Empire Energy Corporation International (EEGC) whereby both companies agreed to use their best endeavours to implement the proposed acquisition of GSLM and achieve 100% ownership of GSLM by EEGC. The merger with EEGC was completed by the following actions:

On March 4, 2005, EEGC lodged a Bidder's Statement with the Australian Securities and Investment Commission to acquire all the share capital of GSLM in a one for one scrip issue.

On April 7, 2005, EEGC announced that it had received 96.4% acceptances and on June 15, 2005 it compulsorily acquired the remaining common stock of GSLM.

### **Options**

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

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### **Indemnifying Officers or Auditor**

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

### **Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

From time to time, the company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. On 19 June 2006, Great South Land Minerals received notice of a Statutory Demand under Australian law totalling AUD 584,478 filed by a former executive officer seeking reimbursement for wages and employment expenses as at December 2005. This amount had been accrued for in the 31 December 2005 payables. This claimed was settled in full during 2006.

### **Dividends Paid or Recommended**

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

### **Significant Changes in State of Affairs**

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

### **INFORMATION ON DIRECTORS**

#### **Mr Malcolm Bendall, Chairman**

Age 46

Mr Bendall was a founding Director of Great South Land Minerals Limited. Mr Bendall has published in an international petroleum journal and worked as a mine manager and drilling supervisor. He is a Fellow of the Institute of Company Directors Tasmania.

#### **Mr David A Tanner**

Age 58

Mr Tanner is a Chartered Professional Engineer with wide experience in the mining, construction and energy industries. He became Exploration Manager for GSLM early in 1997 and joined the Board as a director and CEO in May 1997. He is a Member of the Institution of Engineers, Australia and a Fellow of the Australian Institute of Company Directors.

#### **Dr Clive F Burrett**

Age 57

Dr Burrett was a founding Director of Great South Land Minerals Limited. He was Head of the School of Earth Sciences at the University of Tasmania from 1997 to 2000.

#### **Mr Stephen Powell**

Age 52

Stephen Powell is Managing Director of the Hartz Group, one of Tasmania's largest manufacturers of fruit juices and mineral waters. The commercial operation in Prince of Wales Bay, Glenorchy is best known for its Hartz Mineral Waters. He took over management in 1980, and has expanded operations into Australian and export markets. The group has won numerous industry awards, including New Exporter of the Year.

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### **Mr Phillip Simpson**

Age 54

Mr Simpson is a founding member of the Tasmanian Abalone Council with 25 years experience in abalone fishery and the management of his family company. He is currently running a marine brokerage business.

### **Mr Richard Watson**

Age 72

Mr Watson is the Resident Chairman of the Haas Group of Companies (USA). He is Chairman of Directors of Information Solution Works Pty Ltd and a director of Tassal Limited, Ringwood Pty Ltd and the University of Tasmania Foundation. He was previously a director of the Australian Institute of Company Directors, Saltas Pty Ltd, Seafish Tasmania, the Tasmanian Chamber of Commerce and Industry Inc and President of the Australian Institute of Company Directors Tasmania 1995-8.

## ***AFTER BALANCE DATE EVENTS***

### **Fund Raising**

On 5 January, 2007, Cyber Finance, on behalf of Empire Energy, exercised the put option, and Empire Energy received USD 4.5 million in consideration of the 4,500,000 ordinary shares of Zeehan Zinc Ltd., in January 2007. USD 2 million of the proceeds from the exercise was advanced to Great South Land Minerals in support of its seismic, drilling and related head office activities within the licence area.

In April 2007, the Company entered into agreement with an investment banker to introduce Empire Energy International, holding company and/or Great South Land Minerals Limited to the Alternative Investment Market, a subsidiary of the London Stock Exchange, for the purpose of raising additional equity capital for the entity.

## ***FUTURE DEVELOPMENTS***

### **Exploration Activity**

In November 2006 the board resolved to purchase a state-of-the-art drill rig and also arranged funding to pay for a significant seismic program for 2007. In January 2007, a third round of seismic testing was begun, with Terrex Seismic arriving in March 2007. By March 2007, the areas of interest had been identified and the roads were pegged ready for the Terrex Seismic crew to begin their testing.

The drill rig arrived in Devonport in March 2007, after AQIS clearance in Melbourne. Further equipment needs have been identified and these will be purchased before the end of April 2007.

The seismic and drilling programs have been significantly enabled by funding received from Empire Energy. A total of USD 5 million was received in 2006, with a further USD 2 million received in January 2007.

### **Environmental Issues**

The Company's operations are subject to significant environmental regulation under the laws of the Commonwealth and the State of Tasmania. The company has provided an environmental bond to MRT. As at the date of this report the directors are not aware of any issues that would give rise to any non-compliant environmental matter.

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


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

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on Page 9.

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

Director 

Dr Clive Burrett

Dated this 15th day of May 2007


**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF GREAT SOUTH LAND MINERALS LIMITED**

I declare that, to the best of my knowledge and belief, during the eighteen months ended 31 December 2005 there have been:

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



M D Nicholaeff  
Partner



UHY Haines Norton  
Chartered Accountants

Dated at Sydney 15<sup>th</sup> May, 2007

**GREAT SOUTH LAND MINERALS LIMITED**

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005**

	Note	18 month Period ended 31 December 2005	Year Ended 30 June 2004
Revenues from ordinary activities	2	39,202	8,480
Occupancy Expenses		(45,408)	(24,000)
Administrative Expenses		(438,580)	(293,751)
Consultant Fees		(475,995)	(198,215)
Depreciation and Amortisation Expenses		(16,981)	(8,861)
Employment Costs		(157,983)	984,458
Exploration & Development Costs		(363,248)	(6,240,787)
Other		(113,542)	(48,674)
Merger Costs		(356,210)	-
Interest		(97,437)	(116,156)
Total Expenses		<u>(2,065,384)</u>	<u>(7,014,902)</u>
Loss from ordinary activities before Income			
Tax expense		(2,026,182)	(7,006,422)
Income tax expense relating to ordinary activities	4	<u>-</u>	<u>-</u>
Total changes in equity from non - owner related transactions attributable to the members of the company		<u>(2,026,182)</u>	<u>(7,006,422)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**GREAT SOUTH LAND MINERALS LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2005**

	<u>NOTE</u>	<u>31/12/05</u> \$	<u>30/06/04</u> \$
<b><u>CURRENT ASSETS</u></b>			
Cash Assets	12(a)	7,117	11,840
Receivables	13	31,345	25,831
Other Current Assets		<u>427</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>38,889</u>	<u>37,671</u>
<b><u>NON CURRENT ASSETS</u></b>			
Plant and Equipment	11(a)	<u>5,306</u>	<u>21,287</u>
<b>TOTAL NON CURRENT ASSETS</b>		<u>5,306</u>	<u>21,287</u>
<b>TOTAL ASSETS</b>		<u>44,195</u>	<u>58,958</u>
<b><u>CURRENT LIABILITIES</u></b>			
Payables	10	2,828,947	499,709
Interest bearing liabilities	15	-	150,655
Provisions		<u>7,540</u>	<u>(11)</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>2,836,487</u>	<u>650,353</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Payables	10	197,154	2,315,674
Interest bearing liabilities	15	<u>1,956,620</u>	<u>12,814</u>
<b>TOTAL-NON CURRENT LIABILITIES</b>		<u>2,153,774</u>	<u>2,328,488</u>
<b>TOTAL LIABILITIES</b>		<u>4,990,261</u>	<u>2,978,841</u>
<b>NET ASSETS</b>		<u>(4,946,065)</u>	<u>(2,919,883)</u>
<b><u>EQUITY</u></b>			
62,426,782 Shares (2004: 62,426,782)			
Contributed Equity	7	7,316,711	7,316,711
Accumulated Profit (Losses)	14	<u>(12,262,777)</u>	<u>(10,236,594)</u>
<b>TOTAL EQUITY</b>		<u>(4,946,065)</u>	<u>(2,919,883)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

**GREAT SOUTH LAND MINERALS LIMITED**

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**STATEMENT OF CASH FLOWS**  
**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005**

	18 month Period ended 31/12/05 \$	Year Ended 30/06/04 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	39,202	-
Borrowing Costs	(1,990)	(4)
Payment to suppliers and employees	<u>(2,199,058)</u>	<u>(983,240)</u>
Net Cash (used in) Operating Activities	12(b) <u>(2,161,846)</u>	<u>(983,244)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Plant & Equipment	<u>(1,000)</u>	<u>(4,518)</u>
Net Cash (used in) Investing Activities	<u>(1,000)</u>	<u>(4,518)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds from borrowings	2,158,123	739,700
Proceeds from issue of shares	<u>-</u>	<u>246,800</u>
Net Cash provided by Financing Activities	<u>2,158,123</u>	<u>986,500</u>
Net (Decrease) in Cash held	(4,723)	(1,325)
Cash at Beginning of Year	<u>11,840</u>	<u>13,165</u>
Cash at End of Year	12(a) <u>7,117</u>	<u>11,840</u>

The accompanying notes form part of and should be read in conjunction with these financial statements

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005**

**NOTE 1 – STATEMENT OF ACCOUNTING POLICIES**

**a) Basis of preparation**

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

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

**b) Going Concern**

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

The financial statements are prepared on a going concern basis. However, significant uncertainties exist in relation to conditions that cast doubt upon the Company's ability to continue as a going concern. These are:

- Substantial losses incurred through supporting the ongoing exploration expenditure during the period since the inception of the Company;
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In November 2006, the Minister for Economic Development and Resources wrote to the company noting their intention to revoke Special Exploration Licence 13/98 on the grounds of the failure of the company to comply with the mandatory cumulative expenditure requirements. This letter stated that "As of 30 September 2006, Mineral Resources Tasmania acknowledged an expenditure of \$2,865,689 which is \$3,823,111 short of the mandatory expenditure required by the end of the second year of the licence".

## GREAT SOUTH LAND MINERALS LIMITED

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005

In November 2006, the company responded with a submission requesting the withdrawal of the notice of intention to revoke the licence and submitted numerous reasons why the licence should not be revoked. As a consequence of the submission, in January 2007 the Director of Mines responded and advised "that subject to an agreement being reached on your on-ground work programme, I will be prepared to recommend to the Minister that the revocation of your licence not to proceed". In March 2007, the company responded and confirmed the company's exploration work program, notwithstanding the fact the company believes it had met the licence conditions, having prepaid the seismic and secured additional resources such as new GEFCO Drill Rig from the United States to engage in an extensive ongoing seismic and drilling program during 2007.

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The company has initiated the following activities and the following activities exist to address the above going concern issue:

These include:

- The directors have reviewed their short-term cash flow requirements and consider that the company has or has access to sufficient funds to meet the financial obligations of the company.
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- In a separate guarantee agreement, Empire guaranteed payment of all amounts owing by Great South Land Minerals under the Floating Rate Note.
- Under a separate Security Agreement, Empire Energy pledged its equity interest in Pacific Rim Foods Limited (including any future-acquired securities issued by Pacific Rim) as security for performance of both its and Great South Land's obligations under the Purchase Agreement.
- On 5 January 2007 Cyber Finance, on behalf of Empire Energy, exercised the put option, and Empire Energy received USD 4,500,000 in consideration of the 4,500,000 ordinary shares of Zeehan Zinc, Ltd. In January 2007 USD 2,000,000 was advanced to Great South Land Minerals by Empire Energy to support its seismic, drilling and related head office activities within Great South Land Minerals' licence area.
- As additional security, a related company, Cyber Finance Group Limited ("Cyber Finance") granted Wind City a security interest in the form of an Equitable Mortgage of Shares over Cyber Finance's 7,281,407 ordinary shares of Zeehan Zinc, Ltd., an Australian mining concern.

# GREAT SOUTH LAND MINERALS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005

#### **c) Exploration Costs**

Exploration costs incurred in the search for oil and gas are expensed as they are incurred. Exploration operations in the area of interest are continuing. The area of interest is known as the Tasmania Basin and the company holds current rights to tenure over any discovered reserves pursuant to Special Exploration Licence 13/98.

Significant amounts have been expended to complete this work. Drilling to date has shown traces of natural gas and oil but not in commercial quantities. The seismic program completed in 2001 has shown evidence of major structures capable of containing significant reservoirs of commercial petroleum.

This information shows promise and accordingly continued exploration by the company is considered essential.

#### **d) Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

##### **Interest revenue**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

##### **Sale of non-current assets**

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal. Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

#### **e) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **f) Borrowing costs**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

# GREAT SOUTH LAND MINERALS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

#### **g) Taxation – Note 4**

The entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain

#### **h) Acquisitions of assets**

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(f).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

#### **i) Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amount of receivables approximates fair value.

# GREAT SOUTH LAND MINERALS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005

### **j) Recoverable amount of non-current assets valued on cost basis**

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

### **k) Depreciation and amortisation**

All assets have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

### **l) Payables – Note 10**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

The carrying amount of accounts payable approximates net fair value.

### **m) Cash assets and bank overdrafts – Note 12**

Cash assets including cash equivalent assets and bank overdraft are carried at face value of the amounts deposited or drawn. The carrying amount of cash assets approximates net fair value.

### **n) Change in accounting policy**

There have no changes to accounting policy this year. The company continues to expense all exploration and evaluation expenditure as it is incurred rather than carry it forward.

o) Due to the change in financial year end, figures as at 31 December 2005 are for an eighteen month period, while figures as at 31 December 2004 are for a twelve month period

**GREAT SOUTH LAND MINERALS LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)**

	<b>18 month</b>	<b>Year Ended</b>
	<b>Period ended</b>	<b>30/06/04</b>
	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
<b><u>NOTE 2 – OPERATING LOSS FROM ORDINARY ACTIVITIES</u></b>		
<b>(a) Expenses</b>		
Operating loss from ordinary activities before income tax has been determined after:		
Depreciation of Non Current Assets	16,981	8,861
Interest paid to other parties	99,705	116,156
Administrative Costs	1,327,311	(280)
Rental expense relating to operating leases	38,000	24,000
Exploration Expenditure (current)	363,246	6,247,343
Other	181,039	699,932
<b>(b) Revenue</b>		
Revenue from outside operating activities	39,125	8,339
Interest Income	<u>77</u>	<u>141</u>
Total Revenue	<u>39,202</u>	<u>8,480</u>

**(c) Significant Expenses**

The following expense items are relevant in explaining the financial performance

Write-off of exploration and evaluation expenses relating to prior accounting periods and resulting from change in accounting policy

-                      6,166,092

**NOTE 3 – AUDITORS REMUNERATION**

Audit services		
Auditors of the company		
- For 2003 year	-	80,227
- For 2004 year	39,669	70,000
Other services	<u>45,219</u>	<u>-</u>
	<u>84,888</u>	<u>150,227</u>

**NOTE 4 – TAXATION**

The amount of income tax attributable to the financial year differs from the prima facie amount calculated on the operating loss. The differences are reconciled as follows:

	<b>18 month</b>	<b>Year ended</b>
	<b>Period ended</b>	<b>30/06/04</b>
	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
Operating loss before income tax	(2,026,182)	(7,006,422)
Prima facie income tax benefit at 30% (2004: 30%)	(607,855)	(2,101,927)
Tax effect of temporary differences	2,660	(293,400)
Tax effect of permanent differences:	12,544	1,849,828
Non deductible expenditure	<u>138,129</u>	<u>-</u>
Future income tax benefit relating to tax losses not brought to account	<u>(592,651)</u>	<u>(545,499)</u>
Income tax benefit attributable to operating loss	<u>-</u>	<u>-</u>
The Directors estimate that the potential future income tax benefit at 30 June 2005 in respect of revenue and exploration tax losses not brought to account is:	2,700,524	2,387,276

# GREAT SOUTH LAND MINERALS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)

The Company is taxed as a public company. The benefit of tax losses will only be obtained if:

- a) The Company derives 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) the Company continues to comply with the conditions for deductibility imposed by the law;
- c) and no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

#### NOTE 5 – RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions not more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(a) Directors and Director Related Transaction

- (i) A number of directors of the company or their director related entities hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

	31/12/05	30/06/04
	\$	\$
<b>Director</b>		
DA Tanner	0	0
MR Bendall	1,600	24,000
MR Bendall	0	0

(ii) Loans from Directors

Directors' unsecured interest free loans at call to the company.

40,000

-

(iii) Working Capital Facility

From time to time the Company requires funding for short term needs which are supplied by an entity associated with a director. Since 1 July 2004 that entity has provided funding amounting to AUD 269,904 to the company. These advances are unsecured and to date have been interest free

(iv) Guarantees

Two directors of the company have personally provided joint and several guarantees, on behalf of the company, in favour of Mineral Resources of Tasmania (MRT), the government body responsible for the activities of the company. This guarantee is for a total of AUD 75,000, and relates to future rehabilitation costs that may arise in respect of the licence.

- (b) From 1 July 2003 to 30 June 2004 no share issues were made to Directors or Director Related Entities.

**GREAT SOUTH LAND MINERALS LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)**

**NOTE 6 - DIRECTORS' REMUNERATION**

Directors Income	Period ended 31/12/05	Year ended 30/06/04
The number of directors of the Company whose income from the Company or any related party falls within the following bands:		
\$0 - \$9,999	0	1
\$20,000 - \$29,999	0	1
\$20,000 - \$29,999	1	0
\$190,000 - \$199,999	1	0
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.		
	371,010	29,315
<b>Retirement Benefits</b>		
No retirement benefits have been paid to directors.		

**NOTE 7 - CONTRIBUTED EQUITY**

Issued and paid up capital	31/12/05 \$	30/06/04 \$
62,426,782 Ordinary Shares (2004: 62,426,782) fully paid	<u>7,316,711</u>	<u>7,316,711</u>
	<b>31/12/05</b>	<b>30/06/04</b>
	<b>Price</b>	<b>Shares</b>
<b>Balance at the beginning of the year</b>	62,426,782	7,316,711
<b>Shares Issued Cash</b>		
1.00	-	246,800
1.00	-	-
<b>Shares Issued – Exploration Expenditure and Other</b>		
22/03/04	1.00	21,928
08/08/2002	-	-
<b>Transaction Costs – Capital Raising Project</b>		
OIS Capital Raising Costs	-	3,435
Other Transfer Costs	-	-
<b>Total</b>	<u>62,426,782</u>	<u>7,316,711</u>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meeting.

In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are entitled to any proceeds of liquidation.

# GREAT SOUTH LAND MINERALS LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)

### NOTE 8 – COMMITMENTS

#### Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Tasmanian State Government. These obligations are subject to renegotiation when application for a mining lease is made and at other times. At 31 December, 2005, these obligations, are as follows:

	2005	2004
	\$	\$
— September 30, 2005	-	4,272,800
— September 30, 2006	2,416,000	2,416,000
— September 30, 2007	3,839,200	3,839,200
— September 30, 2008	5,224,000	5,224,000
— September 30, 2009	1,448,000	1,448,000
	<u>12,927,200</u>	<u>17,200,000</u>

As of 30 September, 2006, Mineral Resources Tasmania acknowledged an expenditure of \$2,865,869, which is, \$3,823,111 short of the mandatory expenditure required by the end of the second year of the license. The shortfall of \$3,823,111 is not included in the above.

The company claims to have met its cumulative commitments, and is currently in discussions with Mineral Resources Tasmania on the issue of the recognition of exploration expenditures that form part of the license conditions.

#### Operating Lease Commitments

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	74,528	31,080
Later than one year but not later than five years	298,114	2,558
Later than five years	-	-
	<u>372,642</u>	<u>33,638</u>

### NOTE 9 – CONTINGENT LIABILITIES.

Fees payable and dependent on a public float of shares of Great South Land Minerals Limited.

- Secretarial Services (K. Gumley)	<u>87,945</u>	<u>76,034</u>
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**GREAT SOUTH LAND MINERALS LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)**

**NOTE 10 – PAYABLES**

	<b>31/12/05</b>	<b>30/06/04</b>
	\$	\$
<b>Current</b>		
Creditors and accruals	2,816,804	499,709
Directors and related entities 5(a)	<u>12,143</u>	<u>-</u>
	<u>2,828,947</u>	<u>499,709</u>

Certain trade creditors are secured by a charge over the assets of the company. The maximum prospective liability secured is \$1,000,000. On 10 January 2002 a default notice was served on the Company by this creditor. On 19 July 2004, this creditor was satisfied in full for cash by Empire Energy Corporation International (EEGC).

A number of key creditors, totalling \$2,315,674 at 30 June 2004, have given a written undertaking to the directors that they will not take any proceedings to enforce collection of debt existing at 31 December 2005 or debt incurred up to 31 December 2005 before 1 January 2007.

The carrying amount of payables approximates net fair value.

**Non-Current**

Details of the composition of these creditors and the extent of outstanding amounts payable to them as at 30 June 2005 are:

Directors and Related Entities	185,850	814,546
Other	<u>11,304</u>	<u>1,501,128</u>
	<u>197,154</u>	<u>2,315,674</u>

**NOTE 11 – PLANT & EQUIPMENT AND EXPLORATION EXPENDITURE**

<b>(a) Plant &amp; Equipment</b>	<b>31/12/05</b>	<b>30/6/04</b>
	\$	\$
Plant & equipment at cost less accumulated depreciation.		
Computers - at Cost 1(h), 1(j)	999	-
Property, Plant and Equipment - at Cost 1(h), 1(j)	64,459	64,459
Less accumulated depreciation 1(k)	<u>(60,152)</u>	<u>(43,172)</u>
	<u>5,306</u>	<u>21,287</u>

**(b) Movement in Carrying Amounts**

Movement in the carrying amounts of each class of plant and equipment and exploration expenditure between the beginning and the end of the financial year

	<b>31/12/05</b>	<b>30/06/04</b>
	\$	\$
	<b>Plant and equipment</b>	<b>Plant and Equipment</b>
Balance at the beginning of the year	21,287	25,632
Additions	999	4,516
Depreciation	<u>(16,980)</u>	<u>(8,861)</u>
Carrying amount at the end of the year	<u>5,306</u>	<u>21,287</u>

**GREAT SOUTH LAND MINERALS LIMITED**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)**

**NOTE 12 – NOTES TO STATEMENT OF CASH FLOWS**

	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
(a) Reconciliation of Cash		
Cash at the End of the Financial Year as shown in the statement of cash flows is reconciled to Items in the Balance sheet as follows:		
Cash and Cash Advances	7,099	11,840
Cash Trust Account	18	-
Cash at Bank (overdraft)	-	-
	<u>7,117</u>	<u>11,840</u>
(b) Reconciliation of cash flow from Operations with Operating Profit / Loss after Income Tax		
Operating Profit / (Loss) after Income Tax	(2,026,182)	(7,006,422)
<b>NON - CASH FLOWS IN OPERATING LOSS AND EXPLORATION EXPENDITURE</b>		
Depreciation	16,981	8,861
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
(Increase) Decrease in Exploration Expenditure	363,248	6,184,407
(Increase) Decrease in Prepayments	-	(14,369)
Increase (Decrease) in Trade and Other creditors	(523,423)	(102,588)
(Increase) Decrease in Sundry Debtors and Receivables	16,530	(53,133)
	<u>2,161,846</u>	<u>(983,244)</u>

**NOTE 13 – RECEIVABLES**

	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
Trade Receivables	71,345	9,378
Provision for doubtful debts	(40,000)	-
	<u>31,345</u>	<u>9,378</u>
Other receivables	-	16,453
	<u>31,345</u>	<u>25,831</u>

**NOTE 14 – ACCUMULATED LOSSES**

	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
Accumulated losses at beginning of year	10,236,594	3,230,172
Current year loss	2,026,182	7,006,422
Accumulated losses at the end of the year	<u>12,262,776</u>	<u>10,236,594</u>

**GREAT SOUTH LAND MINERALS LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR 18 MONTH PERIOD ENDING 31 DECEMBER 2005 (cont.)**

**NOTE 15 – INTEREST BEARING LIABILITIES**

	<b>31/12/05</b>	<b>30/06/04</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Asset Purchase Loan	-	3,615
Other	<u>-</u>	<u>147,040</u>
	-	<u>150,655</u>
<b>Non-current</b>		
Asset Purchase Loan	<u>1,956,620</u>	<u>12,814</u>

The asset purchase loan is secured by a bill of sale over the motor vehicle. The carrying amount of the pledged motor vehicle is \$16,429. The loan bears interest of 9.75%pa. Repayments are made monthly.

**NOTE 16 – OTHER INFORMATION**

- (a) Number of employees at year end 3
- (b) Great South Land Minerals Limited is incorporated in Hobart, Tasmania, Australia, whose principal Executive Office is at level 3, 65 Murray Street, Hobart, Tasmania, Australia. 2

**NOTE 17 – EVENTS SUBSEQUENT TO BALANCE DATE**

**Fund Raising**

On 5 January, 2007, Cyber Finance, on behalf of Empire Energy, exercised the put option, and Empire Energy received USD 4.5 million in consideration of the 4,500,000 ordinary shares of Zeehan Zinc Ltd., in January 2007. USD 2 million of the proceeds from the exercise was advanced to Great South Land Minerals in support of its seismic, drilling and related head office activities within the licence area.

In April 2007, the Company entered into agreement with an investment banker to introduce Empire Energy International, holding company and/or Great South Land Minerals Limited to the Alternative Investment Market, a subsidiary of the London Stock Exchange, for the purpose of raising additional equity capital for the entity.

**GREAT SOUTH LAND MINERALS LIMITED**

**DIRECTORS' DECLARATION**

In the opinion of the directors of Great South Land Minerals Limited:

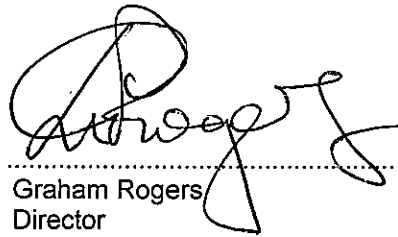
- (a) the financial statements and notes, set out on pages 10 to 24, are in accordance with the Corporations Act, including:
  - (i) giving a true and fair view of the financial position of the Company as at 31 December 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulation; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Hobart this 15 day of May 2007

Signed in accordance with a resolution of the directors:



.....  
Clive Burrett  
Director



.....  
Graham Rogers  
Director

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
GREAT SOUTH LAND MINERALS LIMITED**

**Scope**

We have audited the financial report of Great South Land Minerals Limited for the eighteen months ended 31 December 2005 being the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

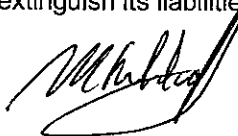
**Audit Opinion**

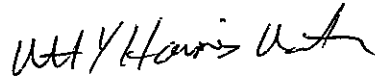
In our opinion, the financial report of Great South Land Minerals Limited is in accordance with:

- (a) The Corporations Act 2001, including:
  - (i). Giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the eighteen months ended on that date; and
  - (ii). Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) Other mandatory professional reporting requirements in Australia.

**Inherent Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in note 1b there is significant uncertainty whether Great South Land Minerals Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

  
M D Nicholaeff  
Partner

  
UHY Haines Norton  
Chartered Accountants

Dated at Sydney 15<sup>th</sup> May, 2007