Exploration Permit EP 389

FINAL

1 February 2006

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1 February 2006

Dear Gentlemen,

Independent Geologist's Report

SUMMARY

This report has been prepared at the request of the Directors of Wharf Resources Plc (Wharf), a private company based in the United Kingdom.

Wharf has entered into an agreement with Empire Oil Company (WA) Limited a wholly owned subsidiary of Empire Oil and Gas NL, collectively referred to in this report as Empire. Empire Oil and Gas NL is an Australian company publicly listed on the Australian Stock Exchange Limited (ASX). Empire has 100% interest in exploration permit EP 389 located in the Northern Perth Basin and the agreement with Wharf provides for Wharf to acquire a 25% working interest in the Permit and to participate in the evaluation of the hydrocarbon potential of the Permit.

Saitta Petroleum Consultants Pty Ltd (SPCPL) was commissioned as the Independent Geological Consultant to review and assess the petroleum exploration interests to be acquired by Wharf and to comment on the appropriateness of the proposed exploration programs.

SPCPL is a Perth based petroleum consultancy company, which has been established for fifteen years. The author considers that the tenement under discussion is prospective for the entrapment of hydrocarbons and presents simplified reasoning for this conclusion in this report.

The nature of petroleum exploration is such that it is a high-risk operation and as such, SPCPL does not intend to imply endorsement of the prospects contained within this report.

Yours sincerely,

A.J. SAITTA
Director

ABBREVIATIONS AND GLOSSARY

Aeolian	rock fragments transported by the wind. Also the rocks composed of these fragments.
Anticline	an upwardly convex fold with the oldest rocks in the core.
^{o}API	degrees American Petroleum Institute- standard measure for the gravity of crude oil. The higher the number the lighter the crude.
Astrobleme	a structure formed by a meteorite impact
ASX	Australian Stock Exchange Limited
Basin	A section of the earth crust which is downwarped and within which sediments have accumulated
Basement	Non-prospective rock underlying a sedimentary basin.
bbl(s)	barrel(s) – 1 barrel is approximately 159 litres.
bopd	barrels of oil per day
Bcf	billion cubic feet – 1000 million cubic feet
Biogenic	gas generated by the decay of organic matter at relatively low sub-surface conditions of pressure and temperature. Biogenic gas is usually predominantly methane.
BMR	Bureau of Mineral Resources
^{o}C	degrees centigrade
Cambrian	a period of geological history about 500-560 million years ago.
Carbonates	rocks composed of Calcium Carbonate usually precipitated in marine conditions.
Carboniferous	a period of geological history about 298-354 million years ago.
Clastics	sedimentary rocks composed of eroded pieces of other rocks cemented together.
Condensate	a hydrocarbon which is a gas within the reservoir, but condenses to a liquid on being brought to the surface.
Closure	the vertical height between the top of the structure and the closing contour.
Cratonic	a part of the earth's crust that has been stable for at least 1000 million years.
Cretaceous	a period of geological history about 65-135 million years ago.
CSG	Coal Seam Gas – gas that is adsorbed directly from a coal seam rather than reservoired in porous rock. Gas produced in this way is usually mostly methane.
Darcy	a unit of permeability – one Darcy represents very good permeability.
Dead Oil	immovable oil trapped in reservoir rocks.
Deltaic	sediments deposited in a delta formed at the mouth of a river.
Devonian	a period of geological history about 354-395 million years ago.
Dip	the angle which a sedimentary formation or the axis of an anticline makes to the horizontal.
Distal	rocks deposited distant from sediment source
DoIR	Department of Industry and Resources, Western Australia
DST	Drill Stem Test – A formation test on a well achieved by opening the drill stem to atmospheric pressure, allowing the formation fluids to flow into the drill pipe.
EP	Exploration Permit (WA) – a number in brackets after the EP number indicates a part permit.
Extension	Pulling apart of two or more stable rock masses.
^{o}F	degrees Fahrenheit
Fault	a fracture or fracture zone in rocks along which there has been a displacement on one side relative to the other
Fluvial	produced by the action of a river.
Formation	a group of related strata which were formed in the same geological period
Frac (Fraccing)	an artificial process of fracturing rock which increases the ability of the rock to produce hydrocarbons.
ft^3	cubic feet
GCM	Gas Cut Mud
Inversion	an area of crust that was sinking and filling with sediment, that subsequently starts to rise causing the rocks to be uplifted and possibly eroded.
Jurassic	a period of geological history about 141-205 million years ago.
kick	an uncontrolled flow of gas, oil or water into a well bore.
km	kilometres
km^2	square kilometres
kerogens	a precursor to oil formation in a source rock
Hydrocarbons	carbon and hydrogen compounds that include oil, gas and condensate.
Lacustrine	formed in or by a lake
Leads	an interesting area or structure in the rock which will require more work to mature it to a prospect which could be drilled to test for hydrocarbons.
Live Oil	oil in a reservoir that has not been degraded significantly and is free to move under pressure.
Methane	the lightest of the gaseous hydrocarbons.
Migration	the movement of hydrocarbons from a source rock along conduits to a reservoir rock.
Miocene	a period of geological history about 6-22 million years ago.
m	metres
mm	millimetres
m^3	cubic metres
mD	milliDarcies

mKB	metres below kelly bushing – the kelly bushing is the section of rotary table on the drill floor from which measurements are taken while drilling a well. It is similar to but slightly different to rotary table, a more modern term.
ml	millilitres
MMbbls	million barrels
MMscf	million standard cubic feet
MMscfD	million standard cubic feet of gas per day
mSS	metres sub-sea – a measure of depth from sea level, which differs from mKB by the distance from the kelly bushing to mean sea level.
NFTS	No Flow to Surface
OGIP	Original gas-in-place which will be more than the recoverable gas by a factor known as the recovery factor.
OOIP	Original oil-in-place which will be more than the recoverable oil by a factor known as the recovery factor.
Ordovician	a period of geological history about 435-500 million years ago.
pay, pay zone	the sum thickness of intervals within a hydrocarbon column which could be considered as being productive.
Permeability	the capacity of a rock to transmit a fluid from one pore space to another.
Pinchout	the thinning of a formation to its edge
ppm	parts per million
Porosity	the percentage of the volume of a rock which is made up of voids or pore space. A measure of its ability to contain fluids.
Prospects	mature leads
psi	pounds per square inch
psia	pounds per square inch absolute
psig	pounds per square inch gauge
Reserves	Recoverable volumes of oil or gas obtained by multiplying the OGIP or OOIP by an appropriate recovery factor.
Residual Oil	oil, usually heavy oil that has remained behind in a rock when other live oil has been flushed away.
Risk	the chance that a particular attribute will exist. If seal is high risk then the author thinks that there is only a small chance that this feature will exist and be able to trap the hydrocarbons if present. Risk in geological terms is subjective and difficult to quantify.
RL	Retention Lease – licence granted (usually 5 years) after a discovery to allow the commerciality to be established. The field must have the potential to be commercial within 15 years, but may be renewed every 5 years if it still meets the required criteria. When deemed to be commercial, an RL must be converted to a Production Licence (PL).
RTSTM	Rates to Small to Measure
Seal	an impervious layer over a reservoir which prevents the escape of fluids from the reservoir.
scf	standard cubic feet
Seismic Data	information obtained from the recording of sound waves reflecting from sedimentary layers to determine structure and depth.
Show	a show is an indication of live hydrocarbons usually in a well and usually from examination of cuttings. Residual oil fluorescence is not considered a show.
Silurian	a period of geological history about 395-435 million years ago.
Source Rock	a rock capable of generating hydrocarbons under the correct conditions of temperature pressure and time.
SPCPL	Saitta Petroleum Consultants Pty. Ltd.
Spill Point	position on a structure which defines the limit of closure (the closing contour on a structure map) and which could allow hydrocarbons to spill to a position outside the structure.
Stratigraphy	the study of composition, age subdivision and correlation of rocks.
Syncline	the opposite of an anticline – a U-shaped fold with the youngest rocks in the core.
Tcf	trillion cubic feet – 1000 billion cubic feet.
Terrestrial	formed on land without the aid of water.
TOC	total organic carbon
Trough	a linear depression that subsides as it receives sediments.
Triassic	a period of geological history about 205-251 million years ago.
TVDSS	true vertical depth sub-sea
TVDKB	true vertical depth below kelly bushing
Updip	a location on a structure where the target will be found at shallower depth as opposed to downdip.
Vr	Vitrinite Reflectance – a measure of the maturity of a source rock.
Wireline Log	a graphical representation of the rocks properties obtained by lowering instruments down a well.

1. INTRODUCTION

Wharf intends to acquire an interest in a permit located in the Northern Perth Basin, currently held 100% by Empire Oil and Gas NL or its subsidiaries (Empire). This permit is listed in Table 1.1 and its location is shown on the map in Figure 1.1.

PERMITS

AREA	PERMIT	EQUITY	NOTES
Northern Perth Basin	EP 389	25.00%	Agreement to acquire a 25% interest and option to acquire a further interest of 35%.

Table 1.1

The Northern Perth Basin has been explored for more than 40 years, but has recently become fashionable following several discoveries both onshore and offshore. Most commercial hydrocarbons have been found on the north-south trending ridge located on the western part of the onshore Basin (Figures 1.1 & 2.1), although many shows and minor recoveries have been made on the eastern side of the Basin. The primary reason for this is that the principal producing reservoirs are of PermoTriassic age and underlie a major seal of Triassic age. To the west this seal/reservoir combination lies at depths of 1000-4000m and reservoir quality at these depths is generally retained. To the east, subsidence continued after continental breakup making the PermoTriassic reservoirs too deep to retain good reservoir characteristics and indeed too deep to be easily penetrated by conventional drilling.

In recent times attention has returned to other seal/reservoir pairs located higher in the stratigraphic sequence. Principal amongst these are the fluvial, lacustrine and marginal marine sediments of the Jurassic section. The Early Jurassic Cattamarra Coal Measures consists of interbedded claystone, sandstone and coal and is therefore capable of providing seal, reservoir and where sufficiently buried, source. Both oil and gas have been recovered from rocks of this age, but commercial recoveries have generally been modest. The main reasons for this are thought to be related to the discontinuous nature of the stratigraphy due to the fluvial deposition; the fact that seals need to be relatively thick if not to be breached by faulting; and the highly compartmentalised nature of many of the structures tested to date. Added to this is the recent understanding that parts of the Jurassic section have been buried quite deeply and then exhumed to more reachable depths but with consequential reduction in reservoir quality.

Despite the difficulties of dealing with this play, some good points have come to light which make this play attractive. The principal seal often referred to as the K-unit, which although not homogeneous has been shown to be over 500 metres thick in the area near Cataby-1. This allows for the possibility of fault seals working and for anticlinal crestal faulting to seal. This same unit has also been shown to be a source to recovered oil allowing for relatively short range migration. Much of the area where the Jurassic play is likely to work is sparsely explored and covered by relatively poor quality seismic.

The Northern Perth Basin is an excellent location in which to explore for hydrocarbons having good links to Perth City and major industry including an oil refinery at Kwinana located about 200-300 kilometres to the south of the areas of interest; a road and rail network which make transport easy and two gas pipelines running north south through the centre of the Basin. In addition the proximity to the ocean and shipping ports ensure that export of discovered hydrocarbons is possible at low cost and import of exploration materials is less expensive.

Location of Interests and Hydrocarbon Discoveries

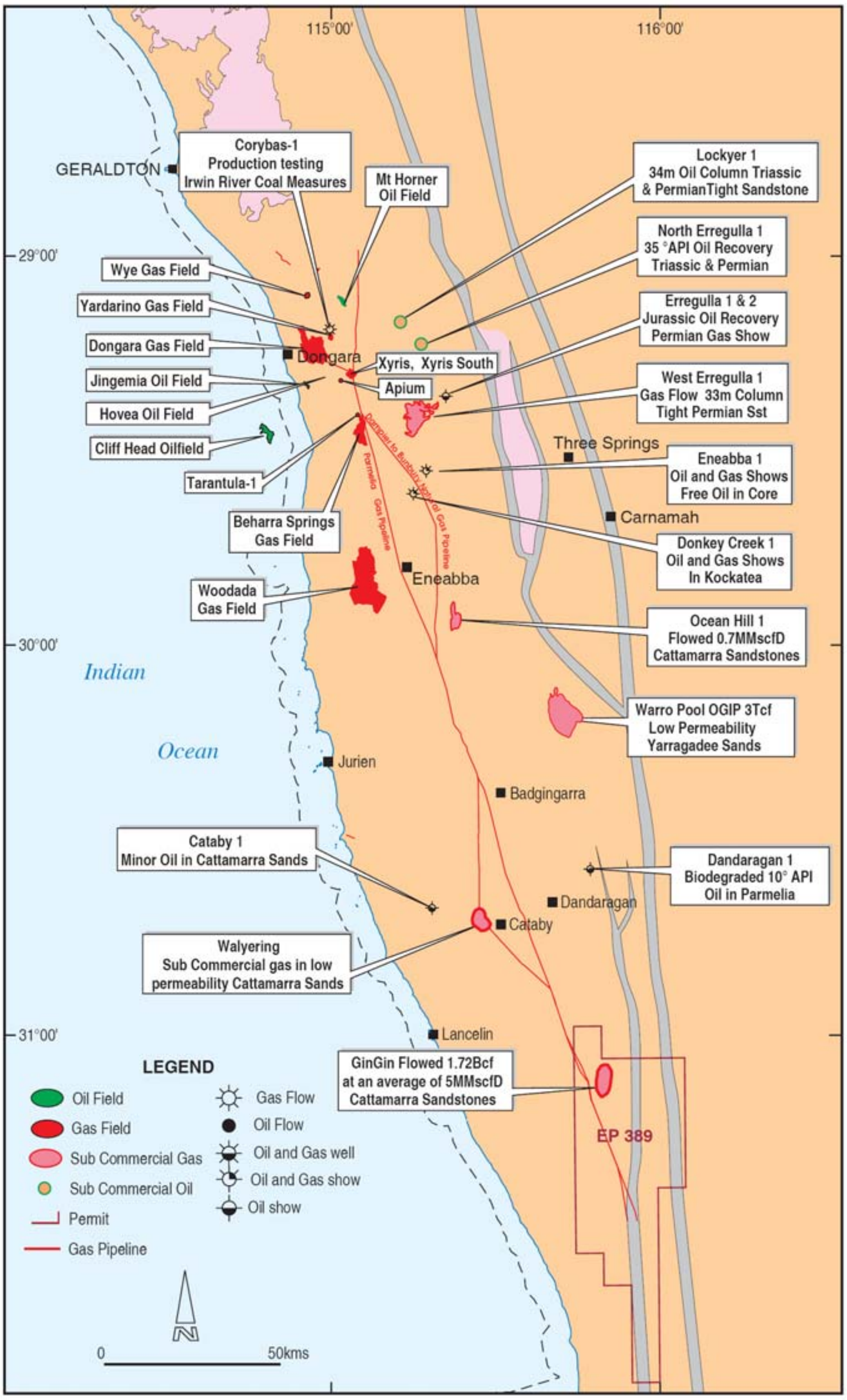

Figure 1.1

2. REGIONAL GEOLOGY AND MAJOR TECTONIC ELEMENTS

The structural history of the Perth Basin is dominated by two major phases of extension. Between these phases, a quiescent deep water system in the Triassic deposited the Kockatea Shale, a regional seal and source section in the Basin.

The Permian extensional phase caused half grabens to form on either side of the Northampton Nose (Figure 2.1). Permian erosion of the Yilgarn Craton and the Northampton Nose filled these half-grabens with clastic reservoir sediments. The second, more extensive phase of extension occurred in the Late Jurassic and Early Cretaceous associated with the processes leading to the break-up of Gondwana and resulted in extensive subsidence in part and inversion in part. To the south of the Northampton Nose several kilometres of Late Jurassic and Cretaceous section is inferred to have been eroded from the area of maximum uplift, just north of the Cataby 1 well. Conversely, over 10,000m of Jurassic and Cretaceous sediments were deposited in the Dandaragan Syncline, which formed to the east of the inversion. The sediment source for this depocentre is non-marine and provides sand/shale couplets with proven hydrocarbon potential. Mesozoic tectonics also produced much of the structuring in the area and trap development is dominated by faulting.

In terms of the permit areas under consideration, EP 389 was subsiding rapidly during the Jurassic burying sediments relatively deeply. These sediments are probably at their maximum depth of burial.

Northern Perth Basin Tectonic Elements

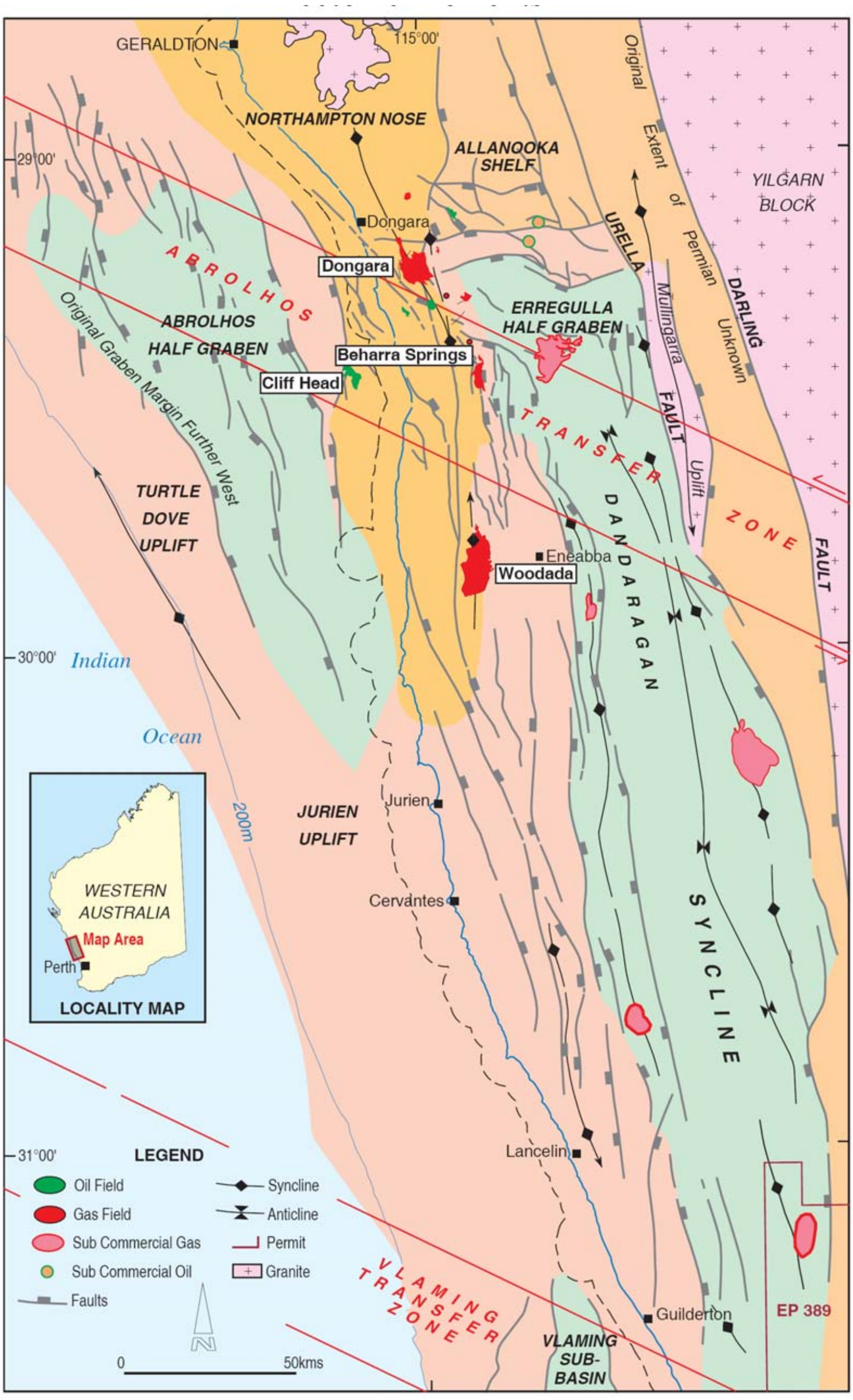

Figure 2.1

2.1. Stratigraphy

The stratigraphy of the Northern Perth Basin is summarised on Figure 2.2.

For the purposes of this report only the stratigraphy of the Jurassic section is presented since it is unlikely that hydrocarbons discovered below this would be economic in most parts of the permit under consideration.

2.1.1. Yarragadee Formation

The Yarragadee Formation consists of a sequence of fluvial sandstones with minor claystones and coals. The sediment has been little transported and it is interpreted to be a low stand tract eroded from the Yilgarn Block to the east; the Northampton Nose to the north and the emerging inversion around Jurien. It is not noted as a reservoir due to lack of good seals and often shallow depth of burial, but shows have been noted in the formation where a good top seal is present (eg Warro-1 & 2 and Dandaragan-1)

2.1.2. Cadda Formation

The Cadda Formation is a marginal marine claystone with sandstones and a distinctive poor quality limestone band known as the Newmarracarra Limestone. Where present this is a significant seismic marker. To the north where the formation is more distinct it is known as the Champion Bay Group and consists of the Colalura Sandstone, Cadda Shale and Newmarracarra Limestone. Where the Cadda Formation was deposited in open marine environments, it can be dated as Middle Bajocian (Mid Jurassic) based on the ammonites. In the south the base of the Cadda Formation features the Coaly Unit, which is not present in Mt Horner to the north. The unit was deposited under quiet, swampy - lacustrine environments. Palynological age dating in Gingin-1 put this Coaly Unit in the upper *C. turbatus* zone of Lower Bajocian - Aalenian age. This coal is sometimes assigned to the Upper Cattamarra Coal Measures Formation.

2.1.3. Cattamarra Coal Measures

The Cattamarra Coal Measures disconformably underlies the Cadda Formation and consists of a thick section of interbedded sandstone and claystone which had good live oil shows in Eclipse-1, but was too thin to be commercial and was not tested. Palynological age dating in Bootine-1 put this sequence in the *D. harrisii* zone of Toarcian age. Towards the bottom of this section good gas shows were present in Gingin-1, Gingin-2 and Bootine-1 and DST's in Gingin-1 flowed 3.1, 2.6, 3.8 and 2.38MMscfD. Other tests were tight. DST's over the gas shows in Gingin-2 flowed at rates too small to measure, while a production test over the gas shows in Bootine-1 flowed 2.25MMscfD.

A distinctive coal measures unit is present over much of the Basin and is used as a seismic marker. This unit is dated as *C. torosus* zone of Pliensbachian age and is known as the Coaly Unit in Mt Horner to the north and Coaly Unit B by Empire who has carried out much of their work in the Gingin area. Beneath this coaly unit in all parts of the Basin the sediments are much more argillaceous with the K-unit ranging from about 40 metres thick at Mt Horner to over 500 metres thick in the Cataby region. In Gingin-1 and Bullsbrook-1 the unit was not fully penetrated and was not reached at Eclipse-1 at a total depth of 3660m. This section is also dated as *C. torosus* age, but microplankton in Gingin-1, suggests that this section may have been deposited under marginal marine conditions (Warris 2004).

This section is not completely homogenous and a number of sandstone units are present in wells that have penetrated the section. In the Gingin wells the uppermost sand flowed at a rate of 4.25MMscfD on DST 4 in Gingin-1, but tested water in Gingin-3. A deeper sand had good gas shows in Gingin-1, -3 and Bootine-1, but was tight in Gingin-1 and flowed water in Gingin-3. A work-over of a deeper sand in Bootine-1 recovered 0.25 barrels of 38.7 degree API oil, while oil was recovered from Cataby-1 in this zone. Oil was also produced from a sand in this zone in the Mt Horner Oil Field.

The lowermost sandy member of the Cattamarra Coal Measures (L sand at Mt Horner) has not been drilled in EP 389, due to depth of burial, but was encountered in Cataby-1 at 1830m with porosities averaging about 15%, less than prognosed predominantly due to this area having been buried deeper in the past and the sands subjected to silicification. At Mt Horner this sand is encountered at about 1300m and averages porosities of about 24%.

2.1.4. Eneabba Formation

The Early Jurassic Eneabba Formation was deposited under arid conditions with multi-coloured and oxidised shales and siltstones being present. The sandstone units have fining upward motifs typical of fluvial channels. Although not confirmed from cuttings analysis, the presence of evaporites within this section is inferred due to the very high salinities (>80,000ppm NaCl(Sodium Chloride) equivalent) which are present within the formation in areas protected from meteoric water invasion during the inversion.

In Cataby-1 the top section of the Eneabba Formation was sandy, but had relatively poor porosities averaging about 13%, though towards the total depth of the well (2200m+) porosities were of the order of 5%, primarily due to this area having been buried deeper in the past and the sands subjected to silicification.

The Eneabba Formation has not been reached in the Gingin area and is expected to be at depths that would make it a poor reservoir.

Northern Perth Basin Stratigraphic Column

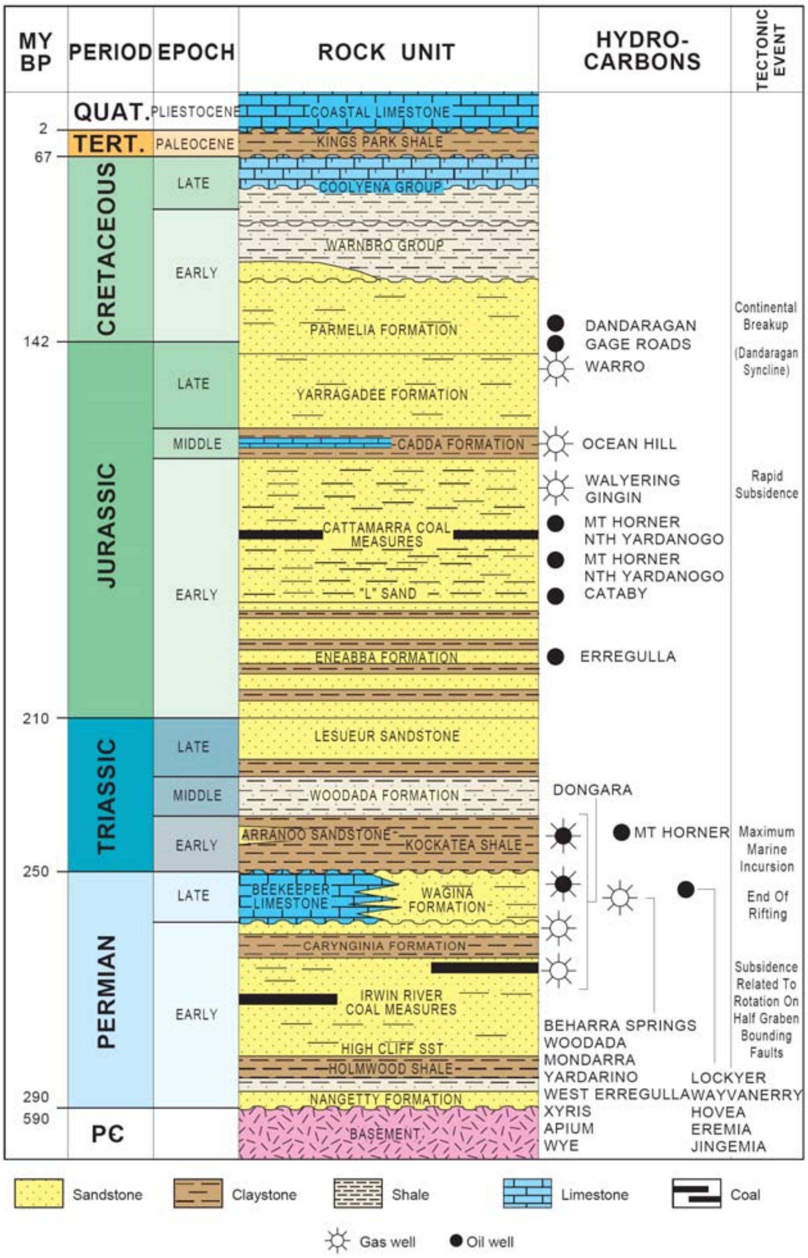

Figure 2.2

3. PREVIOUS EXPLORATION

The permit under consideration is under-explored, possibly due to early seismic and wells giving little encouragement and the excessive depth to the main Permian play in most parts of these areas.

3.1. EP 389

Gingin-1 and -2 were drilled by West Australian Petroleum (WAPET) during their early drilling program in 1964-65, based predominantly on a surface anticline feature. Gingin-2 declined rapidly on production test, but the original Gingin-1 flowed at an average rate of 5MMscfD from 1972-1976, producing a total of 1.72Bcf. In 1981 Mesa Australia Limited defined a fault compartment to the west of the anticline and drilled Bootine-1, which flowed from several zones, the best at 2.25MMscfD, but was declared sub-commercial despite not all zones having been tested. It was not until the Permit was awarded to Empire, in 1994 that reasonable quality seismic was acquired over the structure. Cal Energy on farmout acquired 434 kilometres of 2D data and defined a drilling location for Gingin-3. This well encountered only minor gas in the Cattamarra Coal Measures and is now considered to have been on an upthrown fault block to the previous two wells.

Eclipse-1 was also defined by this seismic and a follow-up survey in 2000 and was drilled in 2003, but was dry. Present interpretation suggests that the structure is not closed to the south and possibly to the west explaining the failure of the well.

4. PROSPECTIVITY

In order to be successful a prospect has to have a source in which the hydrocarbons are generated; a reservoir which is porous to retain the hydrocarbons; an overlying impervious seal; a conduit through which hydrocarbons can migrate from the source to the reservoir and a trap to prevent the escape of hydrocarbons. Finally the timing of all of the factors has to be correct. It is no good having for example, migrating hydrocarbons millions of years before a trapping mechanism has formed to retain those hydrocarbons. The primary objectives in the Permit are sandstone reservoirs of the Early Jurassic Cattamarra Coal Measures and the underlying Eneabba Formation.

4.1. Source, Migration and Timing

Most of the oil in the Perth Basin has been sourced from a section of the base Kockatea Shale with high TOC. This section is oil prone and has been buried to sufficient depths beneath the Dandaragan Syncline to enter the oil window. Oil at the Mt Horner Oil Field and Dongara Gas and Oil Field has been typed to this section, although at Dongara a significant portion of the oil has been displaced by gas sourced either from the same Kockatea Shale section buried deeper, or from the Permian sediments.

With the drilling of Cataby-1, two new source rocks were identified within the Cattamarra Coal Measures; the Coaly Unit and the K-unit. There is some evidence that these terrestrial sources have sourced the oil recovered from Dandaragan-1 to the east and are therefore proven sources. Since the Dandaragan Syncline has been subsiding gradually throughout the history of the Basin and numerous oil and gas discoveries have been made on the flanks of this trough, hydrocarbon source for the Permit must be considered low risk.

Migration is likely to have occurred from subsiding source rocks in the Dandaragan Syncline upwards and towards the flanks of the trough. Permit EP 389 overlies the trough and is ideally placed to receive migrating hydrocarbons. The risk of non-migration is low and proven for EP 389.

Much of the structuring on the flanks of the trough seems to have taken place during the Early Jurassic as India broke away from the Australian plate. At this time the Dandaragan Syncline seems to have been rapidly sinking and therefore generating large quantities of hydrocarbons. Timing of the structures is therefore likely to be coincident with migration though oil may be displaced by later migrating gas (eg Dongara Gas and Oil Field) as further subsidence occurred.

4.2. Reservoir

Reservoir quality is expected to be largely dependent on the maximum depth of burial to which the sediments have been subjected. SPCPL have carried out work based on shale dewatering over the Basin to estimate the maximum depth-of-burial of the various fault blocks. From this it seems likely that most of the Jurassic section is close to maximum depth-of-burial at the present time (ie little inversion) except in the area around Jurien which is known as the Jurien Uplift. This inversion affects the sediments at Cataby-1 making them considerably less porous than would be expected for their present depth.

Porosities in the range 10-15% can therefore be expected in EP 389 due to burial to around 3000 metres plus.

4.3. Seal

The nature of the thin discontinuous seals has been the main reason why the Jurassic sequence has been under-explored in the Perth Basin. Seals of only 30 or 40 metres make major fault traps unlikely to work and even anticlinal traps will often leak if crestal faulting is present. In some parts of the southern part of the Basin this belief is generally unfounded as the Jurassic section thickens considerably. In particular the K-unit towards the base of the Cattamarra Coal Measures thickens from around 40 metres in the north to over 500 metres in Cataby-1 (although not homogeneous containing thin sand stringers in parts) providing a seal that is likely to work even where the trapping mechanism requires relatively large fault throws. Therefore in EP 389 a good seal is present to the lowermost sand in the Cattamarra Coal Measures and the Eneabba

Formation; however this seal/reservoir pair may be too deeply buried to be within the reach of the drill. Other thinner seals in the Cattamarra Coal Measures and Eneabba Formation are effective as top seals in 4-way-dip structures or small fault traps and the possibility of stacked reservoirs can increase volumes of hydrocarbons stored considerably.

4.4. Prospects and Leads

An audit of the structural validity of the various leads and prospects is outside the scope of this report. We have relied on the documentation provided by Wharf and Empire for our evaluation. However it is the opinion of the author that large un-faulted anticlinal traps are rare in the Perth Basin and therefore the proposed exploration program will require a closely spaced seismic grid in order to define valid traps.

4.4.1. EP 389

Three Leads and Prospects have been mapped by the operator of the Permit, Empire. These are the Gingin Gas Field, Gingin West and Yeal.

Gingin Gas Field (Figure 4.1)

The Gingin anticline was defined as a surface feature and drilled with very little subsurface information. It yielded gas from several levels in what is now known to be a complex anticlinal feature at a depth of about 4000 metres. The feature has been mapped many times since the original discovery but Gingin-2, Gingin-3 and Bootine-1 have not produced significant amounts of gas, due to accessing fault blocks that were down-dip or were up-dip with unsealing fault geometries.

A depth structure map of Top Coaly Unit A has been provided by Empire and this is shown on Figure 4.1. The structure appears to be complex and will require closely spaced 2D seismic or a 3D seismic survey to properly define it. At present the limit of the structure is unclear particularly to the south. A reserves estimate has not been provided by the operator but this may be possible once a more reliable structure map is produced.

Gingin West Prospect (Figure 4.1)

The depth structure for the Gingin West Prospect is also shown on Figure 4.1. The primary objectives are sands within the Cattamarra Coal Measures at prognosed depths between 3200m and 3750m sealed by intra-formational shales. Specifically the main targets are the A, B, D and 3750m Sands with estimated reserves calculated by Empire of 40, 40, 40 and 52 Bcf, respectively. ‘Sand Member D’ was production tested in Bootine-1 at a flow rate of 2.25MMscfD and is expected to be tested in the Gingin West Prospect about 80m updip of the Bootine-1 well. If all levels in this structure were gas saturated then potential recoverable reserves would be 212 Bcf. We have not reviewed the petrophysics but if the trap is present as mapped the calculated reserves appear to be reasonable.

The main risk with the Gingin West Prospect is the possibility that the mapped crestal fault will breach the structure. The critical fault has a throw of 20-40 milliseconds two way time, which converts to 40-80m throw using the Bootine-1 velocity function. Shale thicknesses which are expected to provide lateral fault seals match the expected fault throw giving rise to the potential risk.

Closely spaced 2D seismic or a 3D seismic survey will be required to properly define the structure and to better understand the exact juxtaposition of the reservoir/seal pairs across the critical crestal fault.

Yeal Prospect

The Yeal Prospect is mapped by Empire as a 4-way-dip structure up-dip and to the west of the unsuccessful Eclipse-1 well drilled a couple of years ago. Eclipse-1 was water wet possibly because subsequent tectonic activity some time after being gas filled had breached the structure. Eclipse-1 did however have some thin oil-filled sands that were discontinuous and therefore not completely flushed by later gas generation as the Dandaragan Syncline subsided more. If the gas escaped up-dip and to the west, any unbreached structures there would be filled, firstly with oil and then possibly with gas. Yeal is one such structure which if present during this secondary migration may have filled with oil (or gas). If not subsequently breached and full to spill, commercial recoverable oil reserves could be present. However our current indications are that the Yeal structure may be breached to the north therefore considerably more seismic needs to be acquired before Yeal could be considered a drillable prospect.

Gingin Gas Field and Gingin West Prospect
Depth Structure Map
Top Coaly Unit A

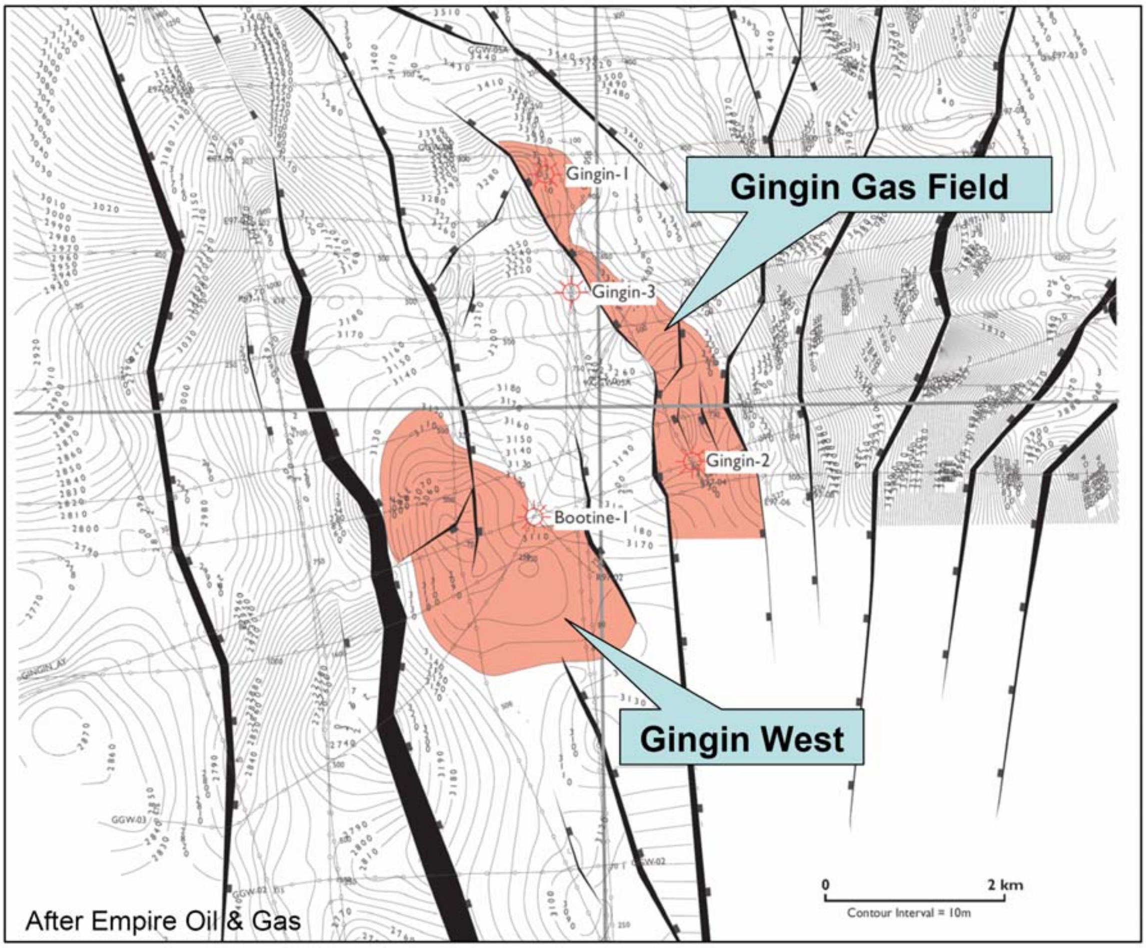

Figure 4.1

5. PERMIT COMMITMENTS

5.1. EP 389

The Permit work obligations are described in Table 5.1. The Permit is currently in Year 4 (suspended and extended to 24th September 2006) of a five-year term.

Wharf has entered into a Farmin agreement with Empire whereby Wharf will be assigned a 25% interest in the Permit by paying a sum of $700,000 into the EP 389 Joint Venture Account. We understand that the intention is to use these moneys to acquire 2D and 3D seismic to fulfil the Permit Year 4 work obligations to delineate the Gingin Gas Field and Gingin West Prospects; however the Farmin agreement does not explicitly state this.

In our opinion the proposed program for Permit Year 4 may be sufficient to delineate either the Gingin Gas Field or Gingin West Prospect but not both. We understand that the extent of the planned program had to be curtailed due to environmental constraints, therefore it will be very important to locate the new seismic carefully to make sure that the critical factors are addressed.

Following the completion of the Year 4 work program, Wharf has an option to acquire an additional 35% interest in the Permit by paying to Empire a sum of $4,000,000 for the drilling of a well in the Permit.

Year of Permit	Year End Date	Minimum Work Requirements	Indicative Expenditure	Status
Year 1	24 Sept 2001	Technical Studies	$100,000	Completed
Year 2	24 Sept 2002	Seismic Reprocessing and Well Planning	$250,000	Completed
Year 3	24 Sept 2003	One Exploration Well (drilled as Eclipse-1)	$3,000,000	Completed
Year 4	24 Sept 2006	14km New 2D Seismic Survey 45km^2 3D Seismic Survey	$1,000,000	Suspended and extended
Year 5	24 Sept 2007	1 Exploration Well	$3,000,000	Suspended and extended

Table 5.1

6. CONCLUSIONS

- The Northern Perth Basin is a proven producer of oil and gas most of which has been produced from reservoirs of PermoTriassic age. Nearly all prospective areas for this play are currently under licence. The deeper areas are however still very prospective by utilising the Jurassic play.

- The Jurassic play has produced oil at Mt Horner and gas at Walyering and Gingin and the existence of numerous other oil and gas shows bear testament to its hydrocarbon potential.

- Simple 4-way-dip structures are the best trapping mechanism in this play due to perceived thin seals. Few of these have been discovered in the Basin. Mt Horner is an example of a producing 4-way-dip closure, but the Cataby, Walyering and Gingin anticlines to the south are extensively faulted leading to breaching and compartmentalisation of the reservoir.

- Generally speaking source and migration is considered to be low risk, but timing of migration and integrity of mapped structures are key issues which need careful consideration. That is, structures may not have been present during migration, or may be subsequently breached by faulting or tilting following charging.

6.1. Positives and Risks

6.1.1. EP 389

- Gas has been produced from a major anticline in the Permit so source, migration and timing are low risk.

- Reservoir is relatively deep, but has produced gas and is of fair quality.

- Seals are present, but are fairly thin and discontinuous making trap integrity a serious risk.

- The complex structures would benefit from further seismic to reduce structural risk.

- The Gingin West and Gingin Gas Field structures may be compartmentalised making commercial hydrocarbons difficult and expensive to produce.

- Follow-up leads are present based on sound principles, but will require a further round of seismic to elevate to drillable status.

7. SOURCES OF INFORMATION

This report is based primarily on confidential data made available by Wharf and Empire, open file data relating to previous exploration in each area and other data available in SPCPL's database.

8. DECLARATIONS

8.1. Qualifications

SPCPL is a Perth based Petroleum Consultancy Company, which has been established for fifteen years. The principle, Mr A. J. Saitta received a BSc from the University of Western Australia in 1969.

This report has been prepared for SPCPL by A. J Saitta. The qualifications and experience of these personnel are set out below.

A. J. Saitta- Managing Director SPCPL

B.Sc., FAusIMM

Mr Tony Saitta started off his career with Geophysical Services International in 1969 and joined WAPET in 1974.

Prior to establishing his own consultancy (Saitta Petroleum Consultants Pty Ltd) in 1990 he was Chief Geophysicist, Exploration Manager then Managing Director of the Australian Office of Canada Northwest, a medium sized international exploration and production company. His roles included the supervision of technical staff, acreage evaluation, farmin/farmout negotiations, preparation and review of JOA and farmout documents, corporate planning and reporting to the Board of Directors.

With his consultancy, he has worked extensively in the technical domain, particularly on seismic interpretation projects, regional studies and prospect assessment. In addition he has carried out economic evaluations and assisted companies with management matters.

8.2. Independence

A.J. Saitta of SPCPL, has no pecuniary or other interests which could reasonably be regarded as affecting his ability to report impartially on the petroleum exploration interests under consideration to be acquired by Wharf.

SPCPL will be paid a fee for the preparation of this report, settlement of which is not dependent on the success of any capital raising.

8.3. Source of Data

SPCPL prepared this report using data supplied by Wharf, Empire and Government agencies and other relevant reports by companies from whom the assets were to be purchased, or from companies and individuals who had worked in the area. While reasonable care was taken to ensure that the data was correct, SPCPL could not in the scope of this report research all data back to first principles.

8.4. Purpose of the Report

This report has been prepared solely for Wharf for inclusion in a prospectus for a capital raising in the United Kingdom and should not be relied on for any other purpose.

8.5. Conformity

This report has been prepared in conformity with the requirements of the Australian Securities commission (specifically ASIC Practice Note 42 and ASIC Policy Statement 75) and the Valmin Code of the Australasian Institute of Mining & Metallurgy (Aus IMM) and the signatory is bound by the authority of the Ethics Committee of the Aus IMM.

8.6. Consents

SPCPL consents to the inclusion of this report in the form and context in which it appears.