



Wharf Group

In Joint Venture With

Empire Oil & Gas N.L.

&

ERM Power Ltd

**EP-389 & Red Gully Gas Plant
Facilities Development**

February 2013

Key Information

RED GULLY

The construction of the Red Gully Gas and Condensate Processing Facility is at an advanced stage as of January, 2013.

- The main Electrical Control Centre (the heart of the Facility) has been installed. Installation of all the electrical and instruments around the Facility, which are wired into the Facility are now being constructed.

The Flash Gas Compressor, manufactured in Houston, is being shipped to Fremantle.

- The Gas Engine and Alternator to the power supply, manufacture in USA and wired in Italy, is on route.
- Backup power installation from the State's Western Power Grid is near complete.
- Service Company, Oceaneering Services Pty Ltd "Oceaneering" was awarded the Contract to Commission, Operate and Maintain the Red Gully Facility. Oceaneering are now involved in the final construction of the Facility, for Commissioning targeted for March, 2013.

Wharf and the Red Gully Joint Venture are in the process of invoicing for the final \$5 million payment from Alcoa of Australia which will total the \$25 million forward gas sales agreement.

- Earthworks of the site have made provision for a substantial laydown area and workshop for other petroleum exploration activities of seismic and drilling. This includes a magazine site for explosives for the planned Wannamal 3D Heliseismic survey. The helipad is also located nearby.



Red Gully Gas and Condensate Processing Facility, Gingin, Western Australia

SEISMIC SURVEY

- The approval of the 80Km² Wannamal 3D Seismic is expected from the State Government Department. The Heliseismic survey has been chosen to speed up this lengthy process, especially the Environmental Management Plan. This type of survey has a “low impact” on both landowners’ property and the Boonanarring Nature Reserve. Coverage in this reserve is required to give good multifold seismic data over the Gingin Gas Field Area.

The Wannamal 3D Heliseis of 80Km² is designed to define drilling locations for at least three wells to provide additional gas and condensate reserves to be treated through the Red Gully Processing Facility.

- The parameters used in the Wannamal Test Seismic Survey recorded in July, 2012 have been processed and this evaluation included the Tender process.

- The successful Tenders for both recording of the Wannamal 3D Seismic and for helicopter conveyed equipment work will be announced upon final pricing, timing and approvals.



Wannamal 3D Heliportable Seismic Exploration

Red Gully Gas and Condensate Processing Facility

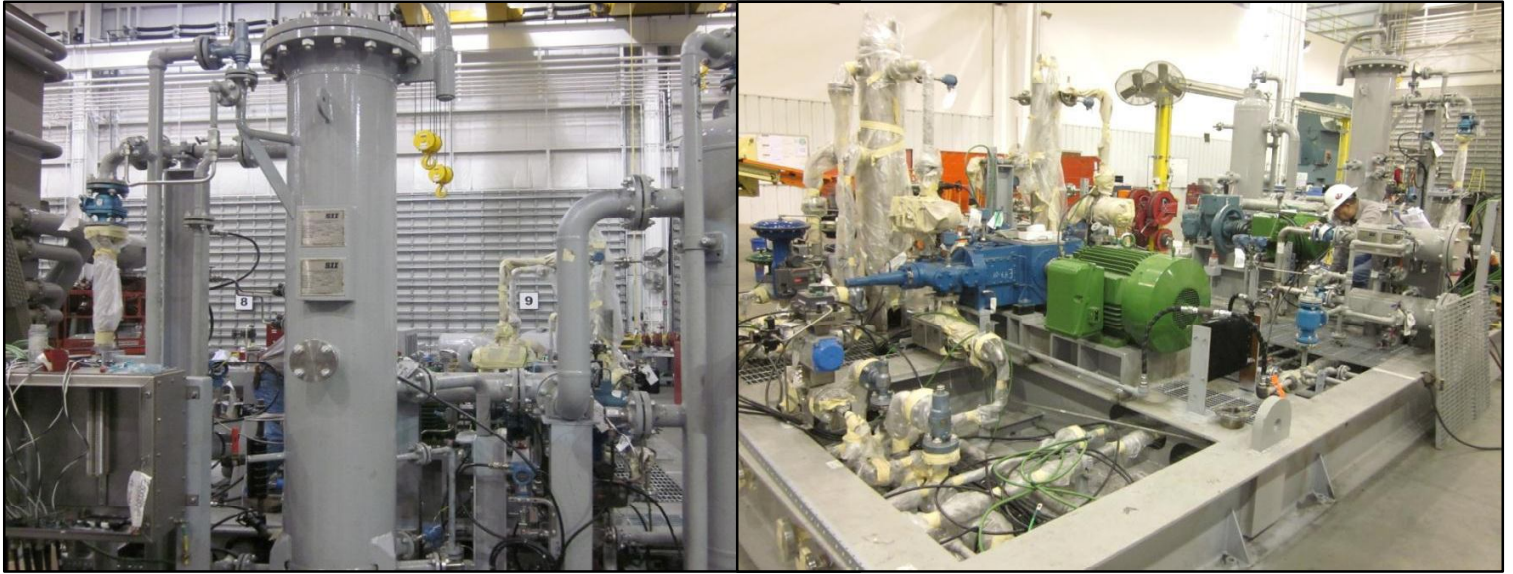


24 January 2013

Location photo of the Red Gully Gas and Condensate Facility

The Acoustic Enclosure for the Export Compressor installed the main Piperack completed with electrical cabling trays, Condensate Tanks are fixed into position and the Motor Control Room (the heart of the facility) delivered to site and located at the rear of this photo.

FLASH GAS COMPRESSOR



The Flash Gas Compressor in the test process in Houston, USA earlier in the month (left) and completed ready to be shipped to Fremantle this month (right).

EXPORT COMPRESSOR AND ACOUSTIC ENCLOSURE



The Export Compressor has been enclosed by an Acoustic Enclosure.

PIPEWORK



Pipework around the Facility including the Condensate Stabilisation Process Area (left) and pipework attached on the Condensate Heater (right).

VALVES AND VENT



The Air Flow Vent is attached the Acoustic Enclosure (left) and Condensate Knockout Drum Valves (right).

MOTOR CONTROL CENTRE



The Motor Control Centre (MCC) has been installed upon the metal bracing (left) and cabling has commenced. Final paint work to follow.

FLOWLINES



Flowline footings are being installed upon metal pipe supports from the wellhead areas towards the Facility.

CIVIL WORK



Civil works near completion in the main Facility area with concrete slabs to be poured including the Gas Metering Facility, Flash Gas Compressor and Condensate Loading Area.

CONDENSATE TANKS AND AREA



The Condensate Tanks were placed onto their supporting structure and foundations prior to Christmas. Pipe testing and gabling has been completed in early January.

Activities

PERTH BASIN

EP 389, ONSHORE PERTH BASIN

Empire Oil Company (WA) limited (Operator)	- 68.75%
ERM Gas Pty Ltd	- 21.25%
Wharf Resources Plc	- 10%



SEISMIC SURVEY & EXPLORATION

Tenders for the 80Km² Wannamal 3D (Heliseis) Seismic Survey has been evaluated with tenders accepted to undertake this 3D Heliseis Survey. Approval for the very detailed Environmental Management Plan and Safety Case is now expected to be granted by the State Government Departments. Landowner discussions and access are near final. Recording seismic is planned for April/May, 2013.

- Planned drilling adjacent to the Red Gully Gas and Condensate Facility will be selected from interpreting this Wannamal 3D Seismic.
- Prospects that are identified to date include Wannamal and Deep, Gingin-4 and Deep and Gingin-5. There is an existing deep target beneath the discovery well being Gingin West-1 Deep. The Bootine-1 well drilled in 1981 intersected a tilted fault block (Gingin West Deep) and recovered live oil from the LC3 Sands of the Lower Cattamarra Coal Measures.
 - This Gingin West Deep (tilted fault block) has the potential for 3 million barrels of oil. It is considered more likely that both the LC2 and LC3 Sands here have potential recoverable gas of 20 billion cubic feet (BCF) and associated condensate.
 - The Wannamal Experimental Shot Hole Survey was conducted over the period 23 to 25 July 2012 between the Gingin-1 and Gingin-2 gas discoveries drilled by WAPET in 1964-65.
 - This experimental survey has determined the explosive charge size and the depth of charges in the drill shot holes to provide the best quality data when recording the Wannamal 3D Seismic Survey.
- A site for the magazine to store the licensed explosives has been built on the land purchased near where the Red Gully Facility is located. A helipad is to be completed on this site also.
- Drill and discover additional gas and condensate reserves. The focus area is in the immediate vicinity of the Red Gully Processing Facility over the Gingin Gas Field Area and the Wannamal Prospect nearby.



The Wannamal Test Shot Hole Survey (top) and the construction of the Wannamal 3 D Seismic Survey Helipad (bottom).

- The potential recoverable gas and condensate from the prospects identified to date is estimated at 205 BCF and 9.2 MMBC for treatment at the Facility, which can be increased in capacity by adding an additional train (duplication of the plant size).
- Independent Report by RPS Energy provided unconventional un-risked potential of 24TCF (2400 BCF) of gas and associated condensate in the Lower Cattamarra Coal Measures along the Gingin-Bullsbrook Trend in EP 389.
- The Joint V considers the maturity of these Lower Cattamarra Shales have, and are currently generating and producing hydrocarbons and charging the sandstone reservoirs of the Lower Cattamarra. The Lower Cattamarra flowed gas at Gingin-1 and Gingin-2 at 5MMCFGD and 3.9 MMCFGD and associated condensate.

Gingin has potential un-risked conventional recoverable gas and condensate along this Trend at 1238 BCF (1.2 TCF) and 48.5 million barrels.

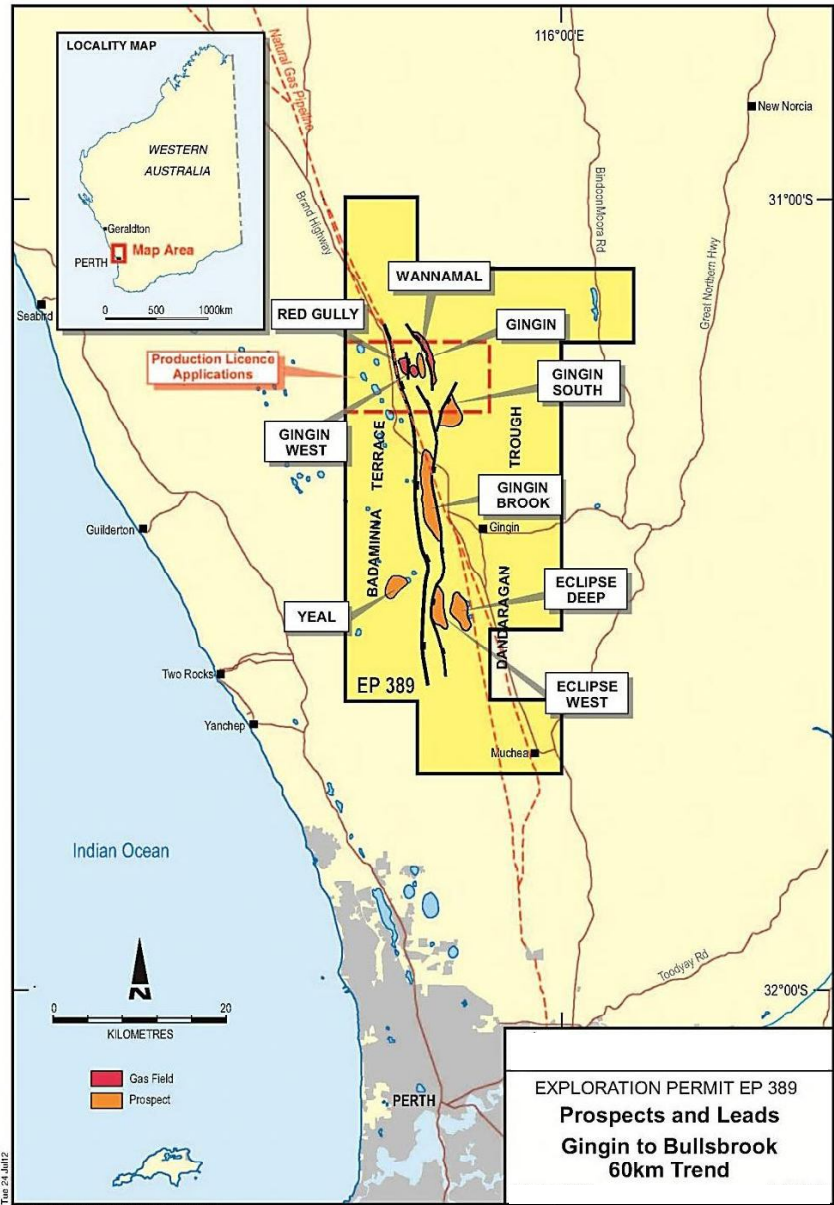


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PRODUCTION

RED GULLY GAS AND CONDENSATE PROCESSING FACILITY

- Grant of Pipeline Licence 96 announced on 23 July, 2012
- The Construction Safety Case approved 27 July, 2012
- Approval of the Construction Environmental Management Plan was granted on 13 August, 2012
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- Consent to Construct for earthworks related activities was granted on 15 August, 2012.
- Petroleum Export Pipeline Easement through adjoining property Lot 5550 to the Dampier to Bunbury Pipeline lodged with Statement Government Department Landgate for Registration as a Title on 11 October, 2012. This enabled contractor, Thistle Fabrication Pty Ltd, to commence building the Export Pipeline. This pipeline has now been constructed and pressure tested.
- Consent to Construct the Red Gully Gas Pipeline and Processing Facility was granted on 11 October, 2012.
- The construction of the Red Gully Inlet into the DBNGP has been completed, which allows gas from the Red Gully Facility and the Export Pipeline into the DBNGP.
- The connection was constructed by the DBP as a “Hot Tap Process”. The contract with the DBP is for 20 years.
- Installation of the Primero Construction Camp and Site Offices house the Primero Construction Team of up to 52 workers on site.
- Earthworks and related activities are essentially complete.
- Mobilisation of two 150,000 litre condensate tanks as “wide loads” are on site and installed with all associated pipework.
- Installation of the Export Compressor and its Acoustic Building are complete.
- The commissioning date of the Red Gully Facility is now programmed for March, 2013.
- The Operator will Tender out for the trucking company who entry into the BP Refinery with an approved Strict Safety Case.

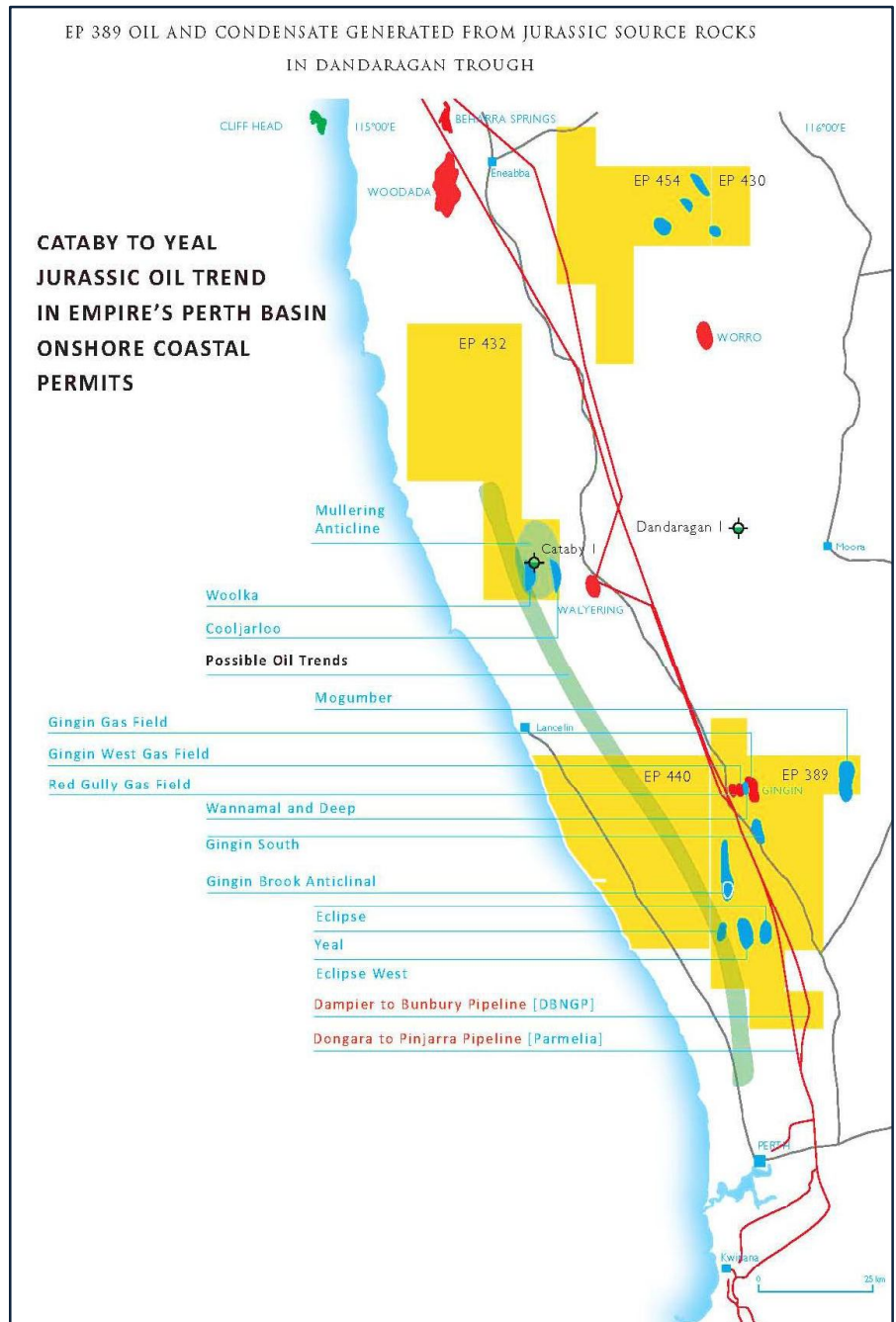


- Alcoa have funded the EP 389 Joint Venture to the amount of \$20 million pursuant to the Forward Gas Sales Agreement with Alcoa, toward the Red Gully Processing Facility cost. There is an additional pre-payment by Alcoa of a further \$5 million that is to be called in late January, 2013. Any cost over the estimated \$25 million will be borne pro-rata to each of the EP 389 Joint Venture's interest.

- Red Gully Technical Team consists of Senior Project Manager, Accounts and Support Staff. Managed by Matt Biddle Petroleum Engineer; Jeff MacDonald Director and Development Petroleum Engineer heads up the team; with Managing Director, Petroleum Geologist Craig Marshall.

The JV recognised since 1998 that:

- There is an increasing demand for Natural Gas in Western Australia.
- Western Australian gas industry is deregulated where a producer can negotiate gas contracts and price directly with a consumer.
- Proximity of Pipeline Infrastructure (3200 metres at Red Gully), City of Perth roads and rail, electricity supply and other nearby infrastructure.
- Market demand and market growth for domestic gas for State Utilities and Industry.
- Diversity of supply from NW Shelf Gas.
- Robust gas pricing now between \$6.50 to \$10 a thousand cubic feet (MCF) with close proximity to the BP Refinery at Kwinana (two hours by road tanker) for condensate sale.
- Condensate pricing is based on Brent Crude Oil Price.
- The Joint V is strategically positioned to supply gas to demand and will focus on increasing recoverable reserves by further drilling, adjacent to its Red Gully Production Facility. These nearby targets in the Gingin Gas Field Area and other nearby prospects have the potential of a further 205 BCF and 9.2 million barrels of condensate.



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Drilling Prospects

<i>PERMIT</i>	<i>STATUS</i>	<i>BASIN PROSPECT</i>	<i>ESTIMATED POTENTIAL RECOVERABLE OIL & GAS</i>
<p>EP 389 Gingin West-1 Red Gully-1 Empire - 68.75% Wharf Resources PLC - 10% ERM Gas Pty Ltd - 21.25%</p>	<p>Gingin West-1 Discovery April 2010 Red Gully-Discovery February 2011. Wharf and the EP 389 Joint Venture entered into a Gas Supply Agreement ('GSA') with Alcoa of Australia Limited ('Alcoa') on 3 October 2011. In this GSA Wharf and Joint Venture have agreed to sell to Alcoa 15,000 Terajoules of gas from the Gingin West and Red Gully Gas fields in two separate tranches. The First Tranche, the Forward Gas Sales component, Alcoa has agreed to purchase for A\$25 million. The Second Tranche consists of the majority of this Gas Supply Agreement. The GSA is a key foundation to support the commercialisation of the gas fields.</p> <p>The first pre-payment of \$5 million has been paid by Alcoa to the EP 389 Joint Venture and announced to the ASX on 3 January 2012. The second pre-payment of \$20 million cleared funds was announced on 10 August, 2012.</p> <p>A further \$5 million is now in the process to be paid by Alcoa.</p> <p>The final cost of this Facility is dependent on the construction timeframe. Commissioning is timetabled for March, 2013.</p>	North Perth Basin	<p>Gingin West-1 and Red Gully-1 Gas 30 BCF Condensate 1.5 to 2.0 MMBC</p>
<p>Wannamal and Wannamal Deep Prospects</p>	<p>Wannamal Fault Dependent closure the same play style as the Gingin-1 gas discovery. Wannamal is prospective in the Unit D Sands of the Upper Cattamarra.</p> <p>Wannamal Deep Tilted Fault Block Prospective in the Lower Cattamarra LC1, LC3 & LC4 Sands that flowed gas in both Gingin-1 and Gingin-2.</p>	North Perth Basin	<p>Wannamal Gas 52 BCF Condensate 1.6 MMBC</p> <p>Wannamal Deep Gas 14 BCF Condensate 0.7 MMBC (Total 66 BCF and 2.3 MMBC)</p>
<p>Define Gingin Gas Field Area and Wannamal Prospect within the Wannamal 3D Heliseismic</p>	<p>Extend the existing Gingin West 3D Seismic over the Gingin Gas Field Area and Wannamal as the Wannamal 3D Heliseismic Survey to delineate drilling prospects. This is now programmed for 2013 pending final approvals by the DMP and other State Government Departments.</p> <p>Current prospects are:</p>	North Perth Basin	

EP-389 Continued

	<p>Wannamal and Deep.</p> <p>Gingin-4 which will evaluate the Gingin-2 tilted fault block and may, subject to interpretation of the Wannamal 3D Seismic, also evaluate the down thrown block.</p> <p>Gingin-5 which will evaluate the Gingin-1 down thrown block (Gingin Gas Field Area)</p>		<p>Gas 66 BCF Condensate: 2.3 MMBC Gas 32 BCF Condensate 1.6 MMBC</p> <p>Gas 87 BCF Condensate 4.3 MMBC</p>
Deepen Gingin West-1 to the Bootine Deep on depletion of 'D' Sand and Coaly Unit	Mature Bootine Tilted Fault Block beneath Gingin West-1 (Gingin West Deep)	North Perth Basin	Gas 20 BCF gas and associated condensate (approx. 1.0 MMBC) or Oil 3 MMBO
Yeal	Seismic needs to be recorded before drilling Yeal	North Perth Basin	Oil 25 MMBO
Gingin Brook	Record 3D Seismic Drill Gingin Brook-1 (Anticlinal prospect)	North Perth Basin	Gas 100 BCF Condensate 1.2 MMBC
Eclipse	Record Seismic Drill Eclipse Deep-1	North Perth Basin	Gas 100 BCF Condensate 1.2 MMBC
Eclipse West	Record Seismic Drill Eclipse West	North Perth Basin	Gas 225 BCF Condensate 2.7 MMBC