



EMERALD
OIL AND GAS NL

**Interim Financial Report
for the half year ended 31 December 2012**

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This half year financial report covers the Consolidated Entity consisting of Emerald Oil & Gas NL and its subsidiaries. The financial report is presented in Australian dollars.

Emerald Oil & Gas NL is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Emerald Oil & Gas NL
Ground Floor, 20 Kings Park Road
West Perth WA 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report on pages 2 to 4.

Corporate Information

Directors:

Jeremy Shervington
Chairman

Davide Bosio
Non-Executive Director

Mike Krzus
Non-Executive Director

Dino Di Costa
Non-Executive Director

McAndrew Rudisill
Non-Executive Director

Company Secretary:

Graeme Smith

Registered & Principal Office:

Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005
Telephone: + 618 9389 2111
Facsimile: + 618 9389 2199

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Auditors:

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitors - Perth:

Jeremy Shervington and Associates
52 Ord Street
WEST PERTH WA 6005

Home Securities Exchange:

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Codes – EMR, EMRO

Share Registry:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Telephone +618 9315 2333

Directors' Report

Your Directors have pleasure in submitting their report on Emerald Oil & Gas NL and its subsidiaries (hereafter 'the Group' or 'the Consolidated Entity') for the half-year ended 31 December 2012.

DIRECTORS

The names and details of Directors in office at any time during the period are:

Jeremy Shervington	Non-Executive Chairman
Mike Krzus	Non-Executive Director
McAndrew Rudisill	Non-Executive Director
Davide Bosio	Non-Executive Director (appointed 20 November 2012)
Dino Di Costa	Non-Executive Director (appointed 27 December 2012)
John Hannaford	Non-Executive Director (resigned 16 July 2012)
Nathan Featherby	Non-Executive Director (resigned 2 August 2012)

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

PRINCIPAL ACTIVITIES

The principal activities of the Group were the exploration and development of oil and gas properties in the United States of America (USA) and Australia. There were no changes to the principal activities during the period.

RESULTS

The net loss of the Group for the half-year ended 31 December 2012 after income tax amounted to \$11,419,320 (2011: \$2,048,050).

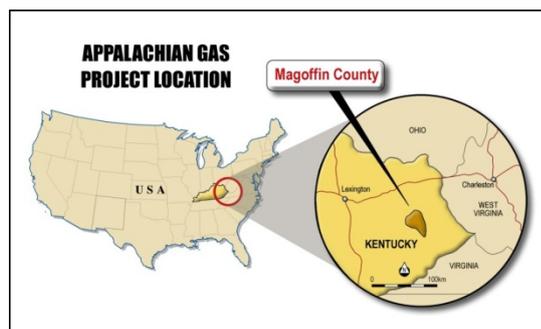
OPERATING AND FINANCIAL REVIEW

- ❖ Transaction completed with Voyager Oil and Gas, a US publicly listed company, to acquire wholly owned US subsidiary Emerald Oil Inc for 11.6 million shares of Voyager Oil & Gas (1.66 million shares after subsequent 1 for 7 reverse split), with \$2.5m cash returned to Emerald under a pre-existing arrangement.
- ❖ Initial sour gas production expected to commence in Q1 2013 in Kentucky, with sour gas plant currently being commissioned.
- ❖ Approximately \$740,000 cash balance after repaying short term loans, transaction fees and remaining US subsidiary liabilities.
- ❖ Director responsibilities and management practices re-structured to reflect reduced operational activity.
- ❖ Dino Di Costa and Davide Bosio appointed as Non-Executive Directors.

Directors' Report

Appalachian Gas - Magoffin County, Kentucky (Emerald 75% Equity Interest in Kentucky Energy Partners LLC)

Emerald's Appalachian gas operations are operated through Kentucky Energy Partners LLC ("KEP"), a company 75% owned by Emerald. KEP currently holds 2,500 lease acres with 29 existing wells potentially capable of gas production, an 8 mile long gas gathering pipeline and gas conditioning/compression facilities.



Compression and small scale sour gas treatment to remove H₂S from the gas stream in KEP wells with low levels of H₂S currently allows gas production from KEP wells tied into the Beetree pipeline. Gas production is currently approximately 200 Mcfd through KEP's existing facilities. Over 2 MMcfd wellhead production potential has been identified to date from flow

tests on KEP wells, but this will require a sour gas plant to bring it to market.

A sour gas processing plant and gas gathering infrastructure is currently being commissioned with KEP gas and sour gas production operations expected to commence in the coming quarter. Initial KEP sour gas production rates are expected to range between 500 and 1000 Mcfd. This will be in addition to the approximately 200Mcfd of sweet gas currently being produced through KEP's existing facilities.

Shareholding in Emerald Oil Inc (EOX)

On 9 July 2012, the Group reached agreement with Voyager Oil and Gas Inc. (NYSE MKT: VOG) ("Voyager"), a publicly listed company in the United States, to acquire Emerald Oil Inc. ("Emerald US"), the Company's wholly owned subsidiary, which held its US shale oil assets. In this transaction, the Company exchanged its 100% interest in Emerald US for 11,635,217 shares in the combined entity. The transaction was subsequently completed on 26 July 2012, with 500,000 shares being held in escrow pending fulfilment of certain conditions. Voyager began conducting business as Emerald Oil, Inc., with the new trading symbol EOX on 4 September 2012. On 23 October 2012, EOX effected a 1 for 7 reverse split of their common stock. EMR currently holds 1,662,174 EOX shares, post-split, including 71,429 shares which have now been released from escrow.

EOX assumed the \$17m of debt carried by Emerald prior to the transaction. Emerald will have no further direct funding requirements for ongoing exploration & development of the Dunn County assets in the Williston Basin or Sandwash Niobrara assets in the Green River Basin, both of which would have required significant additional funding to implement their drilling programs.

Emerald exchanged its direct interests in its two US shale assets for a substantial ownership interest in a larger, US listed company with a much deeper and more diverse shale oil portfolio. This changes the risk profile of the Company significantly. Activity plans and consequent outcomes of the drilling and well completion activities in Dunn County and Sandwash Niobrara assets remain unchanged by the transaction and EMR shareholders will still be exposed to these projects through the Company's holding in EOX.

As EOX is a publicly listed US company, ASX reporting for EMR's holding in EOX is limited to restating public announcements issued by EOX under US SEC regulations ("SEC Regulations") and other publicly available information.

Directors' Report

Emerald remains an active ASX listed company with its main asset being the EOX shareholding, i.e. US shale oil holdings, as was the case before the transaction. The Company will continue to progress its existing oil and gas interests in the US and Australia and is actively seeking other substantial oil and gas opportunities.

Director Appointments

Davide Bosio was appointed a Director effective 20 November, 2012. Mr Bosio is the Managing Director of Pareto Capital which specialises in offering professional customised fundraising solutions to corporate clients and investment services to professional investors.

Mr Bosio has over 10 years' experience in the finance industry as an Investment Advisor providing financial product advice and dealing to wholesale and retail clients. Mr Bosio is currently a Fellow Member of the Financial Services Institute of Australia (Finsia) and a Graduate Member of Australian Institute of Company Directors (GAICD).

Dino Di Costa was appointed a Director effective 27 December, 2012. Mr Di Costa is a Director of Pareto Capital, a firm which specialises in offering professional customised fundraising solutions to corporate clients and investment services to professional investors. Mr Di Costa is a member of The Institute of Chartered Accountants and holds a Bachelor of Commerce (Accounting and Business Law) from Curtin University.

CORPORATE

At 31 December 2012 the Group had \$744,480 of cash on hand.

EVENTS SUBSEQUENT TO THE REPORTING DATE

As at the date of this report, there have been no events occurring subsequent to the reporting date which would have a material impact on the Group or require disclosure in this Interim Financial Report.

AUDITOR

HLB Mann Judd remains in office as at the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This independence Declaration is set out on page 5 and forms part of this directors' report for the half year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s306(3) of the Corporations Act 2001.



Jeremy Shervington
Chairman
Perth
15 March 2013

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Emerald Oil and Gas NL for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
15 March 2013



L DI GIALLONARDO
Partner, HLB Mann Judd

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	2012	2011
Note	\$	\$
Continuing operations		
Gas revenues	64,171	77,874
Cost of sales	(69,178)	(46,517)
Gross (loss)/profit	(5,007)	31,357
Other income – settlement amount	-	373,762
Corporate, legal and administration expenses	(346,251)	(379,241)
Consulting and contracting expenses	(182,419)	(295,626)
Fair value losses on financial assets	5 (4,217,684)	-
Results from operating activities	(4,751,361)	(269,748)
Finance income	37,790	85,266
Finance expense	(34,458)	-
Loss before income tax benefit	(4,748,029)	(184,482)
Income tax benefit	-	-
Loss from continuing operations for the period	(4,748,029)	(184,482)
Discontinued operations		
Loss from discontinued operations	6 (6,671,291)	(1,863,568)
Loss for the period	(11,419,320)	(2,048,050)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(321,227)	1,340,659
<i>Reclassification adjustments</i>		
Transfer of foreign exchange reserve on disposal of discontinued operations	(811,915)	-
Total other comprehensive income/(loss) for the period	(1,133,142)	1,340,659
Total comprehensive loss for the period	(12,552,462)	(707,391)
Loss for the period is attributable to:		
Owners of the company	(11,387,002)	(2,042,997)
Non-controlling interest	(32,318)	(5,053)
Loss for the period	(11,419,320)	(2,048,050)
Total comprehensive loss for the period is attributable to:		
Owners of the company	(12,519,949)	(683,916)
Non-controlling interest	(32,513)	(23,475)
Total comprehensive loss for the period	(12,552,462)	(707,391)
Earnings per share		
Basic and diluted loss per share – cents per share	(1.21)	(0.26)
Basic and diluted loss per share from continuing operations – cents per share	(0.50)	(0.26)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 December 2012 \$	30 June 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		744,480	504,457
Trade and other receivables		145,778	22,073
Financial assets at fair value through profit or loss	5	8,396,238	-
Assets classified as held for sale	6	-	39,737,682
Total current assets		9,286,496	40,264,212
Non-current assets			
Property, plant and equipment		160,292	191,563
Exploration and evaluation expenditure	7	354,782	339,902
Oil and gas assets		509,382	569,684
Total non-current assets		1,024,456	1,101,149
TOTAL ASSETS		10,310,952	41,365,361
LIABILITIES			
Current liabilities			
Trade and other payables		75,364	172,465
Loans and borrowings		-	363,065
Other creditors		-	1,076,391
Liabilities directly associated with assets classified as held for sale	6	-	17,693,803
Total current liabilities		75,364	19,305,724
TOTAL LIABILITIES		75,364	19,305,724
NET ASSETS		10,235,588	22,059,637
EQUITY			
Issued capital	8	46,356,181	45,627,768
Reserves		949,536	2,070,580
Accumulated losses		(37,190,077)	(25,803,075)
Total equity attributable to owners of the parent		10,115,640	21,895,273
Non-controlling interest		119,948	164,364
TOTAL EQUITY		10,235,588	22,059,637

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

2012

	Issued Capital	Options Reserve \$	Foreign Exchange Translation Reserve \$	Non- controlling Shareholders Premium Reserve \$	Accumulated losses \$	Equity attributable to the owners of the parent \$	Non- controlling interest \$	Total Equity \$
Total equity at 1 July 2012	45,627,768	1,327,132	1,036,896	(293,448)	(25,803,075)	21,895,273	164,364	22,059,637
Net loss	-	-	-	-	(11,387,002)	(11,387,002)	(32,318)	(11,419,320)
Exchange gain recognised on disposal of foreign operations	-	-	(811,915)	-	-	(811,915)	-	(811,915)
Exchange differences on translation of foreign operations	-	-	(321,032)	-	-	(321,032)	(195)	(321,227)
Total comprehensive loss for the period	-	-	(1,132,947)	-	(11,387,002)	(12,519,949)	(32,513)	(12,552,462)
Issue of shares, net of transaction costs	728,413	-	-	-	-	728,413	-	728,413
Non-controlling interest distributions	-	-	-	11,903	-	11,903	(11,903)	-
Total equity at 31 December 2012	46,356,181	1,327,132	(96,051)	(281,545)	(37,190,077)	10,115,640	119,948	10,235,588

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

2011

	Issued Capital	Options Reserve	Foreign Exchange Translation Reserve	Non-controlling Shareholders Premium Reserve	Accumulated losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Total equity at 1 July 2011	42,497,549	1,369,374	(131,700)	(311,681)	(16,150,151)	27,273,391	248,589	27,521,980
Net loss	-	-	-	-	(2,042,997)	(2,042,997)	(5,053)	(2,048,050)
Exchange differences on translation of foreign operations	-	-	1,359,081	-	-	1,359,081	(18,422)	1,340,659
Total comprehensive loss for the period	-	-	1,359,081	-	(2,042,997)	(683,916)	(23,475)	(707,391)
Issue of shares, net of transaction costs	412,750	-	-	-	-	412,750	-	412,750
Non-controlling interest contribution	-	-	-	18,799	-	18,799	(18,799)	-
Non-controlling Shareholders Premium Reserve	-	-	-	(68,649)	-	(68,649)	68,649	-
Total equity at 31 December 2011	42,910,299	1,369,374	1,227,381	(361,531)	(18,193,148)	26,952,375	274,964	27,227,339

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	2012	2011
	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from customers	57,422	248,559
Interest received	4,799	85,266
Interest paid	(32,679)	-
Payments to suppliers and employees	(1,478,644)	(2,262,696)
Net cash used in operating activities	(1,449,102)	(1,928,871)
<i>Cash flows from investing activities</i>		
Exploration expenditure	(1,683,919)	(6,586,672)
Cash received relating to sale of subsidiaries, net of cash disposed	2,245,744	-
Settlement of NOXXE litigation	-	373,762
Net cash provided by/(used in) investing activities	561,825	(6,212,910)
<i>Cash flows from financing activities</i>		
Proceeds from the issue of shares	569	423,000
Cash received in advance of equity issue	-	247,436
Proceeds from borrowings	1,875,354	-
Repayment of borrowings	(363,065)	-
Capital raising costs	(103,017)	(10,250)
Net cash provided by financing activities	1,409,841	660,186
Net increase/(decrease) in cash and cash equivalents	522,564	(7,481,595)
Cash and cash equivalents at the beginning of the period	504,457	8,385,274
Effect of foreign exchange on cash balances	(282,541)	20,529
Cash and cash equivalents at the end of the period	744,480	924,208

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1 – REPORTING ENTITY

Emerald Oil & Gas NL (the “Company”) is a company domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the “Group” or the “Consolidated Entity”).

NOTE 2 – BASIS OF PREPARATION

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (‘AASB’). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

This condensed half year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cashflows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Emerald Oil & Gas NL and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The annual financial report of the Group for the year ended 30 June 2012 is available from www.asx.com.au or from the Company’s registered office at Ground Floor, 20 Kings Park Road, West Perth, WA 6005.

Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

This consolidated half-year financial report was approved by the Board on 15 March 2013.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated half-year financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2012, except as disclosed below.

(a) Changes in accounting policies

In the half-year ended 31 December 2012, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group’s operations and effective for annual reporting periods beginning on or after 1 July 2012.

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policies (continued)

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

(b) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2012.

NOTE 4 – INCOME TAX

Emerald Oil & Gas NL has tax losses arising in Australia which are available to offset against future profits of the Group providing the tests for deductibility against future profits are met.

These losses have not been recognised in the financial statements, except insofar as they offset deferred tax liabilities of the consolidated entity, and there is currently insufficient probability that they will reverse in the foreseeable future.

NOTE 5 – FAIR VALUE LOSSES ON FINANCIAL ASSETS

	2012	2011
	\$	\$
Shares in US listed investment, Emerald Oil Inc:		
Value on receipt of shares as consideration for sale of US interests (Note 6)	12,613,922	-
Value of investment at 31 December 2012	8,396,238	-
Fair value losses on financial assets	<u>4,217,684</u>	<u>-</u>

EMERALD OIL & GAS NL
ABN: 72 009 795 046

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 6 – DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

On 9 July 2012, the Group (“Emerald”) reached agreement with Voyager Oil and Gas Inc. (NYSE MKT: VOG) (“Voyager”), a publicly listed company in the United States, for Voyager to acquire Emerald Oil Inc. (“Emerald US”), the Group’s wholly owned subsidiary, which holds its US shale oil assets. In this transaction, the Group exchanged its 100% interest in Emerald US for 11.6m ordinary shares in Voyager. The transaction was subsequently completed on 26 July 2012, and on 4 September 2012 Voyager began conducting business as Emerald Oil Inc., with the new trading symbol EOX. Mike Krzus and McAndrew Rudisill accepted roles as CEO and President, respectively, of EOX, and each will serve as a director of EOX. They both remain Emerald directors.

EOX assumed the \$17m of debt carried by Emerald prior to the transaction. Emerald received \$2.5m in cash owed to Emerald as part of the transaction under a pre-existing inter-company arrangement between Emerald and its subsidiary company.

At 30 June 2012 the Group classified its interests in Emerald Oil Inc and its subsidiaries, Emerald GRB LLC and Emerald WB LLC (“the disposal group”), as assets held for sale under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The loss from discontinued operations of \$6,671,291 (2011: \$1,863,568) is attributable entirely to the owners of the Company.

	2012	2011
	\$	\$
Results of discontinued operations		
Revenue	-	69,477
Cost of sales	(40,455)	(1,429,908)
Gross loss	<u>(40,455)</u>	<u>(1,360,431)</u>
Corporate, legal and administration expenses	(196,858)	(135,616)
Consulting and other contracting expenses	-	(158,423)
Gain on settlement of financial liability	303,596	-
Profit (loss) from operating activities	<u>66,283</u>	<u>(1,654,470)</u>
Share of loss of equity accounted investees	(475)	(209,098)
Profit (loss) before tax from discontinued operations	<u>65,808</u>	<u>(1,863,568)</u>
Income tax	-	-
Profit (loss) for the period from discontinued operations	<u>65,808</u>	<u>(1,863,568)</u>
Loss on sale of subsidiaries before income tax	(6,737,099)	-
Income tax	-	-
Loss on sale of subsidiaries after income tax	<u>(6,737,099)</u>	<u>-</u>
Loss from discontinued operations	<u>(6,671,291)</u>	<u>(1,863,568)</u>
	2012	2011
	\$	\$
Cash flows from (used in) discontinued operations		
Net cash used in operating activities	(287,410)	(1,506,172)
Net cash from investing activities	(1,649,904)	(6,287,262)
Net cash from financing activities	1,875,354	-
Net cash flows for the period	<u>(61,960)</u>	<u>(7,793,434)</u>

EMERALD OIL & GAS NL
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Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 6 – DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS
(continued)

Details of the sale of subsidiaries:

	2012	2011
	\$	\$
Consideration received:		
Voyager shares received	12,613,922	-
Repayment of intercompany loan	2,500,000	-
Net cash costs and adjustments at settlement	(826,602)	-
Total disposal consideration	<u>14,287,320</u>	-
Carrying amount of net assets sold	(21,836,334)	-
Recognition of foreign exchange reserve on sale	811,915	-
Loss on sale of subsidiaries before income tax	<u>(6,737,099)</u>	-
Income tax	-	-
Loss on sale of subsidiaries after income tax	<u>(6,737,099)</u>	-

As at the date of sale and 30 June 2012, the carrying amount of assets and liabilities were:

	Date of Sale	30 June
	\$	2012
	\$	\$
Assets		
Cash and cash equivalents	254,256	61,285
Trade and other receivables	1,109,466	185,829
Investments accounted for using the equity method	772,638	784,842
Plant and equipment	34,577	36,137
Exploration and evaluation expenditures	37,670,656	37,578,732
Oil and gas assets	<u>1,073,894</u>	<u>1,090,857</u>
Assets sold/classified as held for sale	<u>40,915,487</u>	<u>39,737,682</u>
Liabilities		
Trade and other payables	1,482,857	1,684,877
Short term loan payable	17,099,099	15,503,876
Provisions	<u>497,197</u>	<u>505,050</u>
Liabilities directly associated with assets sold/classified as held for sale	<u>19,079,153</u>	<u>17,693,803</u>
Net assets sold/attribution to disposal groups classified as held for sale	<u>21,836,334</u>	<u>22,043,879</u>

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7 – EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2012 \$	30 June 2012 \$
Exploration and evaluation costs carried forward in respect of exploration areas of interest in the US and Australia	<u>354,782</u>	<u>339,902</u>
Reconciliation:		
A reconciliation of the carrying amounts of costs carried forward in respect of areas of interest in the exploration and evaluation phases is set out below:	6 months to 31 December 2012 \$	Year to 30 June 2012 \$
Carrying amount at beginning of period	339,902	17,893,489
Reclassifications to Oil & Gas assets	-	(542,538)
Reclassifications from Investments	-	187,978
Capitalised during the year	19,196	20,653,212
Impairment of exploration and evaluation expenses	-	(778,084)
Impairment loss on re-measurement of disposal group	-	(540,000)
Effect of foreign exchange	(4,316)	1,044,577
Classified as held for sale	-	(37,578,732)
Carrying amount at end of period	<u>354,782</u>	<u>339,902</u>

The recoverability of the carrying amount of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

NOTE 8 – ISSUED CAPITAL

	Number of Shares	\$
2012		
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	<u>943,651,304</u>	<u>46,356,181</u>
(b) Movements in fully paid shares on issue		
Opening balance as at 1 July 2012	898,790,281	45,627,768
Shares issued as consideration for fees on a debt facility	44,849,635	762,444
Shares issued on conversion of options	11,388	569
Capital raising costs	-	(34,600)
Total fully paid shares on issue at 31 Dec 2012	<u>943,651,304</u>	<u>46,356,181</u>

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The Parent Entity and ultimate controlling party is Emerald Oil & Gas NL.

(b) Other related party transactions

The directors received compensation during the period pursuant to arrangements detailed in the 2012 Annual Report, inclusive of annual adjustments where relevant.

The total amount of fees and compensation referable to the directors during the half year ended 31 December 2012 was \$133,446 (half year ended 31 December 2011 \$237,894).

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a director, charged rent and company secretarial fees in relation to the administration of the Group. A summary of the total fees charged by Ventnor Capital Pty Ltd during the period is as follows:

	2012	2011
	\$	\$
Rent and office administration	9,000	27,000
Company secretarial fees	10,000	30,000
Financial administration	2,440	47,550
Total	<u>21,440</u>	<u>104,550</u>

The total amount of fees due to Ventnor Capital as at 31 December 2012 was nil (2011: \$13,750).

Pelagic Capital Investments Ltd, a company of which Mr McAndrew Rudisill is a director, charged advisory fees on commercial terms for the half year ended 31 December 2012 totalling \$47,294 (2011: US\$100,000).

Drumgaghan Pty Ltd, a company of which Mr Jeremy Shervington is a director, charged advisory fees on commercial terms for the half year ended 31 December 2012 totalling \$38,156 (2011: \$10,796). The total amount of fees due to Drumgaghan Pty Ltd as at 31 December 2012 was nil (2011: \$6,380).

(c) Terms and Conditions

Loans between entities in the wholly owned Group are interest bearing, are unsecured and are payable at call.

Transactions with related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Notes to the Condensed Consolidated Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 10 – SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the location of activity. Discrete financial information about each of these locations is reported to the Board of Directors on at least a monthly basis.

Reportable segments requiring disclosure are operating segments that meet any of the following thresholds:

- Segment loss greater than 10% of combined loss of loss making operating segments; and
- Segment assets greater than 10% of combined assets of all operating segments

In accordance with AASB 8 *Segment Reporting*, the reportable segments are based on aggregated operating segments determined by the similarity of the locations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an 'all other segments' reporting segment. In accordance with AASB 8 *Segment Reporting*, corporate and administrative activities are included in the 'all other segments' reporting segment.

The Group operates in one business segment, being the exploration of oil and gas, and two geographical segments, being Australia and USA.

Description of operating segments

Appalachian (USA) continuing operation

Emerald's subsidiaries Emerald Gas USA Holdings Inc, Emerald Gas Developments USA LLC, Emerald Gas Kentucky Ventures LLC and Kentucky Energy Partners LLC undertake onshore oil and gas exploration activities in the USA. The combined operations of these entities represent a single reportable segment.

Texas (USA) continuing operation

Emerald's subsidiary Emerald Gas USA LLC undertakes onshore oil and gas exploration activities in the USA. This entity's activities form both an operating and reportable segment.

Shale (USA) discontinued operations

The disposal group of Emerald Oil Inc., Emerald GRB LLC and Emerald WB LLC undertook onshore oil and gas exploration activities in the Green River Basin and Williston Basin areas of USA prior to disposal. The combined operations of these entities represent a single reportable segment. Refer to note 6 for details of the sale of the disposal group during the period.

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 10 – SEGMENT REPORTING (continued)

All other segments (Australia)

Emerald Gas Pty Ltd, a wholly owned subsidiary of the Company, is the holder of onshore and offshore leases in the north west of Western Australia which are prospective for hydrocarbons. The Australian oil and gas exploration operating segment does not meet the thresholds for reportable segments and have been included in all other segments for reporting purposes, which includes the administrative costs of the Company.

Segment information

The following tables present information on the revenue and results regarding each reportable operating segment provided to the Board of Directors for the half year periods ended 31 December 2012 and 31 December 2011.

2012

Geographical segment	USA			Australia	Consolidated
	Continuing Operations Appalachian	Continuing Operations Texas	Discontinued Operations Shale	All other segments	
Operating Segment	\$	\$	\$	\$	\$
Segment Revenues	64,171	-	-	-	64,171
Segment result	(121,386)	-	(6,671,291)	(4,626,643)	(11,419,320)
Segment assets	1,208,444	-	-	9,102,508	10,310,952
Segment liabilities	(17,880)	-	-	(57,484)	(75,364)
Included in segment result:					
Interest revenue	-	-	-	37,790	37,790
Interest expense	-	-	-	(34,458)	(34,458)
Depreciation and depletion	(98,453)	-	(1,005)	(515)	(99,973)
Acquisition of non-current assets	29,593	-	674,114	11,050	714,757

EMERALD OIL & GAS NL
ABN: 72 009 795 046

Notes to the Condensed Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 10 – SEGMENT REPORTING (continued)

2011

Geographical segment	USA			Australia	
	Appalachian \$	Texas \$	Green River Basin \$	All other segments \$	Consolidated \$
Operating Segment					
Segment Revenues	77,874	373,762	69,477	-	521,113
Segment result	(79,947)	398,582	(1,879,492)	(487,193)	(2,048,050)
Segment assets	1,229,501	561,450	27,122,929	961,045	29,874,925
Segment liabilities	(42,456)	-	(2,114,780)	(490,350)	(2,647,586)
Included in segment result:					
Interest revenue	-	-	-	85,266	85,266
Depreciation and depletion	-	-	-	1,003	1,003
Acquisition of non-current assets	(155,643)	-	(5,850,327)	(70,023)	(6,075,993)

NOTE 11 – POST BALANCE DATE EVENTS

As at the date of this report, there have been no events occurring subsequent to the reporting date which would have a material impact on the Group or require disclosure in this Interim Financial Report.

NOTE 12 – CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 6 to 19 comply with the Corporations Act 2001; and
 - i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Group's financial position as at 31 December 2012 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half year then ended; 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.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the board,



Jeremy Shervington
Chairman
Perth
15 March 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Emerald Oil and Gas NL

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerald Oil and Gas NL ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2012 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Emerald Oil and Gas NL is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD
Chartered Accountants



L DI GIALLONARDO
Partner

Perth, Western Australia
15 March 2013