Emerald
OIL & GAS NL

ABN: 72 009 795 046

ANNUAL REPORT
for the year ended 30 June 2008

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EMERALD OIL & GAS NL
ACN: 009 795 046

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CONTENTS

CORPORATE INFORMATION

Directors:
Jeremy Shervington
Chairman

John Hannaford
Executive Director - Finance

Robert Berven
Executive Director - Technical

Morgan Barron
Company Secretary

Auditors:
Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

Solicitors:
Jeremy Shervington and Associates
52 Ord Street
WEST PERTH WA 6005

Registered & Principal Office:
Level 2, 16 Altona Street
WEST PERTH WA 6005
Telephone: + 618 9482 0510
Facsimile: + 618 9482 0505

Postal Address:
P.O. Box 902
WEST PERTH WA 6872

Home Stock Exchange:
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Codes - EMR

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

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ACN: 009 795 046

LETTER FROM THE CHAIRMAN

Dear Shareholder,

I am pleased to present the 2008 Annual Report of Emerald Oil & Gas NL. The 2008 financial year has seen the Company participate in several exploration wells in Australia and USA. The Company has secured exclusive development rights to its 90,000 acre Appalachian Gas Development Project in West Virginia and Kentucky USA and also expanded its Canning Basin, Australia exploration portfolio interests.

USA projects
During the year Emerald secured an 80% working interest in a significant gas development project located in the Appalachian Basin, which has substantial gas potential. The agreement with P & J Resources grants Emerald exclusive rights to develop the 90,000 acre leases spread between western West Virginia and eastern Kentucky over a 10 year period. This project has given Emerald a new growth strategy with a dual focus on generating cashflow through gas production plus development of a significant resource/reserve asset for the Company.

The NW Alice 3-D seismic survey has been completed and interpreted. The operator, Noble Energy, is acquiring additional leases within the AMI based on the 3-D seismic interpretation. A development well is anticipated being drilled in Q1, 2009. This 100+BCF prospect represents a significant asset in Emerald's USA portfolio.

Subsequent to the end of the quarter Emerald farmed out its interest in the Greenbush Bakken Shale exploration project located in North Dakota. A horizontal Bakken well will begin drilling in late October, 2008, with Emerald retaining a free carried 3.75% interest after payout. Emerald also received full reimbursement of its costs to date in the project.

Australian projects
During the year Emerald participated in two wells at the EP104 project where Emerald has a 12.75% working interest. The Stokes Bay 1 well encountered a porous, fractured carbonate reservoir in the Nullara formation, where testing will resume in late October 2008. Emerald's expanded acreage position covers several similar but larger targets along the east-west trending Pinnacle fault.

The Company consolidated its acreage position and moved its strategy to development in order to secure the Company's long term future. Your Directors are committed to creating a successful exploration and production company and we believe the Company's focus on its Appalachian Basin project and Canning Basin, Western Australia projects are the building blocks for this success. We look forward to the continued support of shareholders in achieving this outcome.

Yours sincerely,
Jeremy Shervington
Chairman

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OPERATIONS REVIEW

During the financial year Emerald Oil & Gas NL consolidated its existing projects in the USA and in the Canning Basin of Western Australia, as well as securing a major Appalachian Gas Development Project covering 90,000 acres of leases in West Virginia and Kentucky.

The Company believes the Appalachian Gas Development Project will underpin the Company's future with a dual focus on cashflow from production and development of a gas resource/reserve base. Initial activities have included the 80% acquisition of 6 existing wells in Kentucky, drilling of two new wells in West Virginia (80%) and the signing of a Memorandum of Understanding (MOU) to acquire a 25% interest in an additional 50 existing wells in Kentucky with associated pipeline and production equipment. Emerald believes this will kick start production in the fourth quarter as production pipelines are completed linking the field up with more consumers.

Elsewhere in the USA, Emerald has recouped over $1.3 million at the Greenbush Project in North Dakota, in a farmout to Encore Energy following two exploration wells during the year. At the North West Alice project in South Texas, Emerald's partners have completed 3D seismic acquisition, processing and interpretation of the 100 Bcf potential project. A second well to follow up the March 2007 discovery is planned for early 2009.

In the Canning Basin, Western Australia two wells were drilled in late 2007 with the second well - Stokes Bay 1 suspended for the wet season. The well was inspected in July 2008 which resulted in a nitrogen-based testing programme being formulated, to be carried out in October 2008. Emerald has added to its Canning Basin acreage portfolio with the granting of new permits EP6/07-8, EPIT/07-8 and a recent application W07-12 is pending. The Canning Basin acreage covers over 14,300 km2 including applications.

The Company is looking forward to more positive drilling results during the next 3-6 months with completion of the 50 well acquisition (25%) and several more wells planned to be drilled (80%) in the Appalachian Basin. Testing of the Stokes Bay-1 well (possible discovery), a horizontal Bakken well at Greenbush, and a potential new well and re-entry at the NW Alice project (discovery/appraisal) comprise the program.

USA PROJECTS

Appalachian Basin, Kentucky and West Virginia
(Emerald earning 80% Working Interest; Operator: P&J Resources Inc)

Drilling and Operating Agreement

On 30 April 2008, Emerald announced the signing of a Drilling and Operating Agreement with P&J Resources Inc ("P&J") covering two 45,000 acre lease areas throughout the Big Sandy area of southern West Virginia and Eastern Kentucky. Under the agreement, Emerald, through a US subsidiary has the right to earn an 80% working interest in each well drilled for payment of 100% of the drilling and completion costs. Emerald will own a 90% interest in the US subsidiary, (with an unrelated US party who introduced the project holding the remaining 10%). Emerald is earning its interest in each well plus a 4,000 foot radius spacing unit (1,154 acres) which will include several surrounding additional drilling locations.

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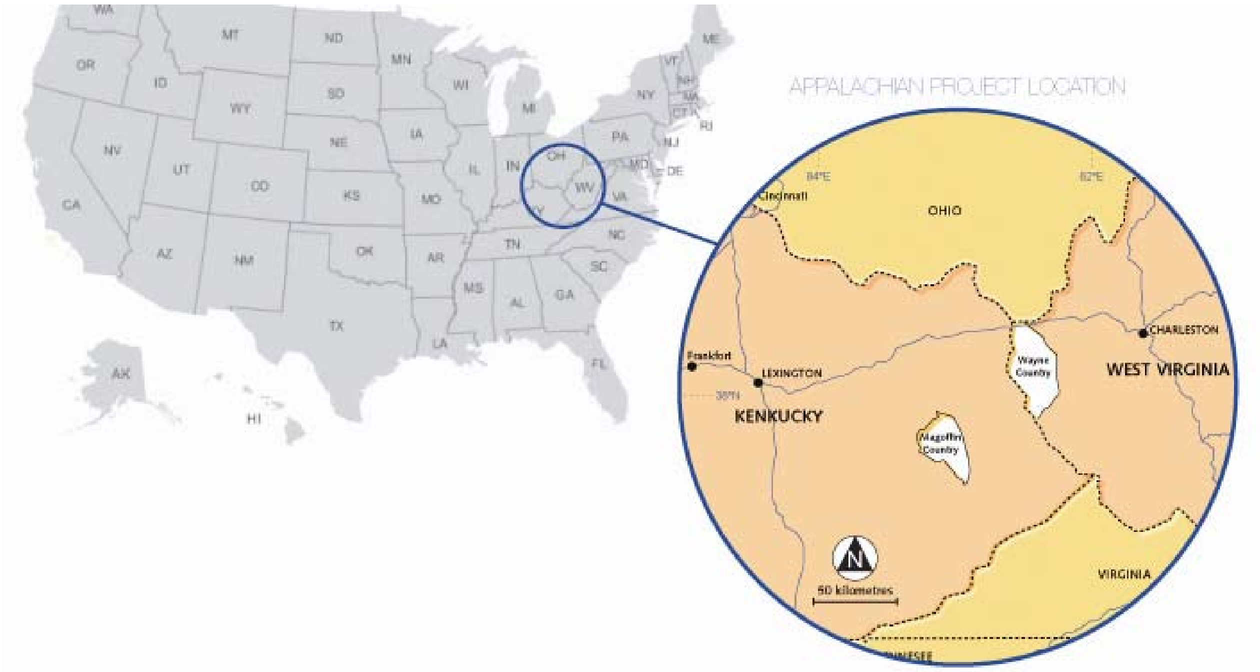

P&J as operator undertakes the drilling and completion of each well on a turnkey (fixed cost) basis and has allocated two Ingersoll Rand drilling rigs for the program. Wells are drilled on either 20 acre spacing (shallow zones up to 3,500 feet) or 40 acre spacing (deeper zones from 4,000 to 5,000 feet). Both areas have conventional production from the Big Six formation, as well as deeper shale and carbonate potential. This agreement provides Emerald with exposure to a 1,000 well potential program once deeper development and infill of shallower zones is realized over the 10-year term of the agreement. Under the agreement P&J have agreed to re-drill any non-commercial wells, solely at P&J's cost, effectively ensuring a very high success rate for all Emerald's wells. This underscores P&J's and Emerald's belief in the continuous nature of the productive formations across the acreage.

Emerald has completed two wells (80% interest) of an initial five well program in the West Virginia leases. Emerald acquired an 80% interest in 6 wells in Magoffin County Kentucky, of which 5 have had limited production to date pending completion of production pipelines and an amine plant to remover any impurities in the gas. Emerald has also signed an MOU subsequent to the end of the financial year to acquire a 25% interest in an additional 50 existing wells in Kentucky and associated production infrastructure in Kentucky and West Virginia.

P&J is currently completing the commissioning of a 35 mile, 8 inch pipeline, Amine plant and associated compression equipment, which will enable gas transmission to both El Paso's and Equitrans' trunklines that have excess capacity. This will enable a ramping up of gas production in the previously constrained Kentucky acreage.

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Appalachian Basin - Geology and Exploration History

The Appalachian Basin in Eastern USA has had a long history of hydrocarbon production, and contains many of the oldest oil & gas fields in the world. This Basin extends from New York State (Northeast) to Alabama (Southwest) a distance in excess of 1,000 kilometres. Much of the early production, which began in the mid-1800's, has not been systematically recorded. Therefore, there are no independent commercial sources that record a complete production history for the over 1,000 named fields within the Basin. The Appalachian Basin still remains an important part of the USA domestic petroleum industry today, with thousands of oil & gas wells still producing and numerous new wells currently being brought on stream monthly. Rig activity has soared in recent times due to the current product price environment with both oil & gas prices at record levels. The main focus for many years in the Appalachian Basin has been for natural gas with the majority of wells targeting shallow, low risk, blanket-type pay zones above 5,000 feet depths. However, with suitable sedimentary rocks existing for several thousands of feet in various parts of the Basin, it will have many decades of remaining exploration & productive life. Some factors contributing to the continued interest & success in this Basin are:

Well flaring, Magoffin County Kentucky

- ❖ High success rate due to several thick & geographically extensive "blanket" formations throughout large portions of the basin which are productive.
- ❖ Geological diversity evidenced by reported production from over 100 statigraphically discrete intervals and formations, with most wells having several target pay zones.

P&J Resources' Ingersoll drilling rig

- ❖ Proximity to large eastern USA population centres with high gas prices due to demand in part and low transportation charges.
- ❖ Shallow depths to reservoirs means that the majority of production to date has come from reservoirs above 6000 feet, which results in short drilling times and lower costs.
- ❖ Premium pricing is obtained for most Appalachian Basin gas due high British thermal unit (BTU) content over most other gases, resulting in an 8-10 percent per MCF revenue increase over Henry Hub base pricing.

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An article in the March 2008 edition of the American Association of Petroleum Geologists (AAPG) Explorer magazine highlights a whole new exploration play that is opening up in Appalachian Basin targeting the Devonian-aged “Marcellus Shale” potential reservoir. It is an “unconventional” fractured-shale play which is deeper than most previous wells but could have huge potential due to its thickness and area extent according to the AAPG article. Horizontal drilling is the key and a press release in the USA from Range Resources in December, 2007 reported gas flow rates between 1.4 & 4.7 mmcf/day from five horizontal wells it had drilled to the “Marcellus”. It is being compared to the famous “Barnett Shale” play in the Fort Worth Basin of Texas where 1,000’s of horizontal wells are currently being drilled and completed.

The exploration and production program being initiated by Emerald Oil & Gas NL covers a portion of the “Rome Trough”, a northeast-southwest trending tectonic unit, postulated as part of a major Precambrian “rift” system that covers northeastern Kentucky & southwestern West Virginia. The Rome Trough has since been filled with up to 20,000+ feet of sedimentary rocks ranging in age from Cambrian through Pennsylvanian, many of which now form the reservoirs and target zones for previous, current and future exploration and production efforts. Emerald will initially concentrate on natural gas drilling in eastern Kentucky and southern West Virginia where its partner, P&J Resources, holds most of its exploration and production leases. A number of independent Geological and Engineering consultants have reviewed the P & J Resources’ lease holdings in recent years and all have recommended further work programs. These would consist of field extensions and infill drilling, redrills, replacement wells, twinned wells and deeper exploration to target both conventional reservoirs (sandstones, carbonates), and unconventional reservoirs such as the “Marcellus Shale”. Emerald believes that the “Marcellus Shale” is present under P & J Resources leases in West Virginia and is evaluating recent well logs to assess the Marcellus potential.

Potential Gas Resources

Several engineering & geological firms have made estimates of the gas resources that could potentially be developed under the P & J Resources (leases), in Kentucky and West Virginia. The methods used have been reservoir volumetrics and production histories & decline curve analysis. The numbers vary greatly since reservoir volumetrics are limited by data quality (i.e. logs, cores, sidewall cores, fluid analysis, PVT info, etc), and production histories are limited by lack of information from wells during early producing periods. However, given the size of the lease holdings (90,000 acres) and the multiplicity of potential reservoirs down to 6,000 feet (including the untested “Marcellus Shale”), it is not inconceivable that this area will eventually be drilled out on 40-acre spacing with multiple zone completions or twinned wells to tap various horizons.

Gas Compression Plant owned by P&J Resources in Wayne County West Virginia

Potential producing zones include the Mississippian Berea Sandstone, the Devonian Shales including the “Marcellus”, the Silurian Big 6 sandstone and the Ordovician Trenton/Black River. If we assume 80-acre spacing this would equate to over 1,000 wells. There are numerous wells in this Basin that have produced for up to 60 years and are still producing at economic rates. Most of these wells have produced a minimum of 0.5 Bcf gas over that period. Assuming an ultimate recovery of 0.5 Bcf gas for a minimum of 1,000 wells then the potential resource could be as much as 500 Bcf of gas.

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Infrastructure

Both acreage blocks have pipeline infrastructure servicing existing production nearing completion. P&J Resources has been extending its gathering line system during the past year including additional pipelines linking up to regional pipelines operated by Columbia Energy, Equitrans, El Paso and Jefferson Energy.

P&J Resources is in the process of completing installation of an Amine plant on each of the Kentucky and West Virginia acreage areas allowing treatment of impurities including H_2S and CO_2. No water disposal equipment is required at each of the wells as the gas is dry.

All 6 wells in Kentucky have been hooked up to production lines and the two wells in West Virginia are awaiting logging prior to hook up.

Markets & Pricing

Gas is distributed through Tenneco's major eastern USA distribution network. Gas is also sold to local communities in the immediate region, with a P&J subsidiary currently servicing approximately 700 retail customers in eastern Kentucky.

The gas produced in these project areas is of high BTU content of approximately 1,200 BTU per cubic foot receiving a premium to market prices. The reference price is the TICO gas price which is generally at a premium to the Henry Hub price due to its closer proximity to markets. Current TICO prices are in the region of $7.00-$9.00 per Mcf of gas, although prices have been over US$13 per Mcf during the year.

Strategy

Through this project Emerald has refocused the company's activities on development of a cashflow generating production base and establishment of a significant resource/ reserve inventory. Emerald is very excited by this uniquely structured opportunity to enter into a highly prospective area with exposure to a potentially huge project area.

Recent activity in the area highlights extensive interest in Appalachian production as well as Marcellus Shale potential. In a recent transaction Dominion Resources (NYSE:D) agreed to assign its Marcellus rights to 205,000 acres to Antero Resources of Denver, Colorado for $552 million.

Emerald's strategy is to work together with P&J Resources and funding partners to increase gas production, establish proven reserves and proven undeveloped locations (PUDs), as well as to evaluate development opportunities in the Marcellus and deeper Trenton shale formations. There are also opportunities to re-work existing and shut-in wells on P&J Resources' acreage.

Funding

Emerald has executed a Participation Agreement with Avant-Garde Resources LLC, a Kentucky corporation, whereby Avant-Garde will contribute a minimum of US$4 million per quarter towards drilling and completion costs for a 40% working interest in each well drilled, leaving Emerald with a 40% interest and P&J Resources with 20%. Emerald is hopeful it can close this financing during the fourth quarter of 2008.

Emerald has presented its first program to Avant-Garde being the 6 Kentucky wells acquired to date, plus the West Virginia Myrtle Crum and Chiarenzelli wells completed in October, for a total of US$2.575 million. Emerald is currently formulating a second drilling program which will comprise 7-10 new wells for approximately US$ 5 million.

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Greenbush Project, Ward & Renville Counties, North Dakota
(Emerald 15% Working Interest reducing to 3.75%; Operator: Encore Energy)

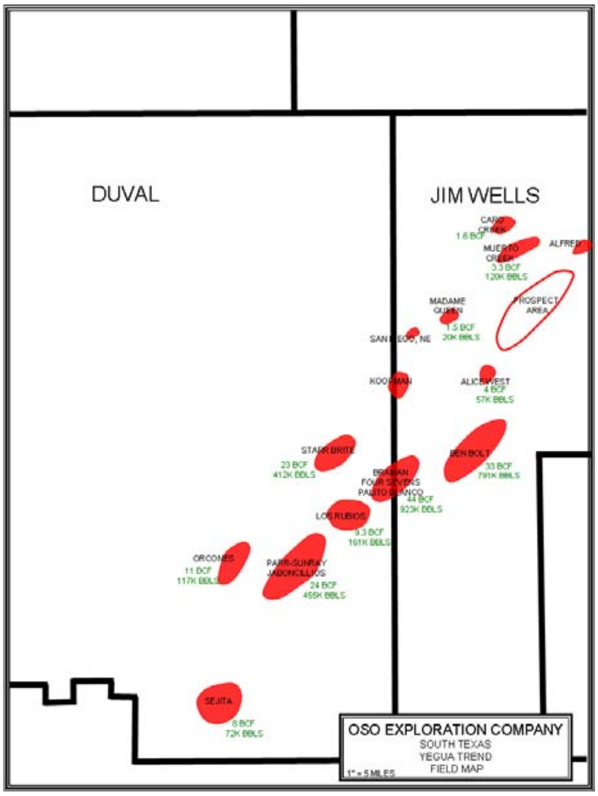
The Brekhus #2-14 well drilled in July 2008 found the primary objective pinnacle reef to be tight and non productive. It also cored a combined 60 foot section of the Bakken shale and Three Forks Formations. The Bakken produces high quality oil from several parts of the Williston Basin including Montana, North Dakota and SE Saskatchewan across the USA/Canadian border. A second well, the Steinberger #1-16, was spudded on July 22 2008 and also cored the Bakken and underlying Three Forks Sandstone. Both cores had live oil shows.

Subsequently the project was farmed out to Encore Energy of Fort Worth, Texas in return for drilling and completing a 5,000 foot horizontal well from the Brekhus #2-14 location. Emerald and partners will retain a 25% working interest after payout (APO) and receive a full reimbursement of their sunk costs in the project to date.

Emerald is very pleased with this outcome as it replenishes the company's treasury and Emerald retains a carried interest in the exciting Bakken Shale oil play.

North West Alice, Jim Wells County, Texas
(Emerald 10% Working Interest; Operator: Noble Energy Inc.)

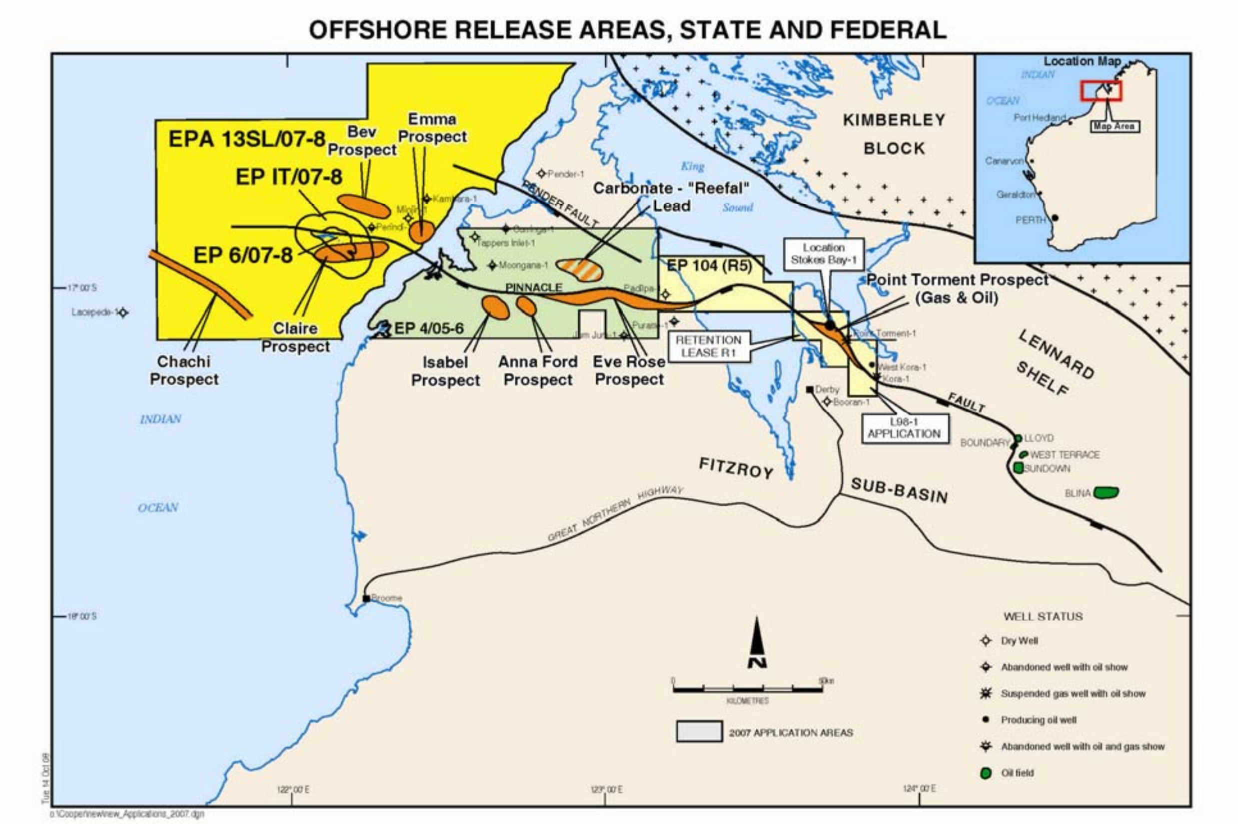
Emerald participated in a discovery well in March 2007 on the 100 Bcf potential project where subsequent completion of both Yegua 18 and 21 zones was unsuccessful due to mechanical difficulties. The operator Noble Energy carried out a 3D seismic survey over the AMI area during the year. Noble has advised that the 3D seismic data have been processed and are being interpreted. The operator is now acquiring additional leases within the AMI based on the new data interpretation. It is anticipated that a new well will be drilled in the first quarter of 2009.



New Projects - USA

The Company continues to review and assess several new oil and gas exploration project opportunities in the USA which have been sourced through current partners and other industry participants.

AUSTRALIAN PROJECTS



Canning Basin showing Emerald's EP104 / R1 (light yellow, Emerald 12.75%) and EPA 4/05-6 (green, Emerald 100%) interests, and mapped prospects and leads. The new EP L07-6 & T07-1 (Lacapede Islands) and EPA 13SL/07-8 are shown in Yellow. The main feature on both leases is the Pinnacle Fault, the conduit for much of the previous hydrocarbon production on the Lennard Shelf portion of the Canning Basin.

EP104/R1, Canning Basin WA
(Emerald 12.75% Working Interest; Operator: Buru Energy Ltd)

The Stokes Bay 1 well was deepened to test the Nullara "reefal" carbonates in November 2007. It drilled into a porous and permeable fractured, cavernous carbonate (bottom hole) and lost circulation. Some 12,000 barrels of drilling fluid were lost into the formation.

Pressure gradient studies indicate that the Nullara reefal carbonates could be hydrocarbon-bearing. On inspecting the location in May 2008 it was noted that there was minor flood damage to the roadway and pad with access currently possible for light vehicles and relatively minor repairs required for heavy vehicle access. Operations at the well included removal of the back pressure valve on the well and installation of the well head and pressure gauges. The well head pressure was noted to be 1200 psi.

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On opening the well to the test pit, it flowed gas for approximately six minutes before slugging mud and gas with flow ceasing after some 30 minutes. The gas was not sampled. After an overnight shut-in the well head pressure was noted as 250 psi but there was no significant flow. The well has now been shut-in and the crew has demobilised.

These results are very encouraging with the gas flowing either from the Laurel gas sands below the 7 inch casing shoe or from the Nullara reef section. Plans will now be made for a definitive test of the reservoir. The extent of a hydrocarbon accumulation (if any) can only be determined by further work and testing. This test work will be carried out during October, 2008.

EPA 4/05-6 Canning Basin, WA
(Emerald 100% Working Interest and operator)

Emerald's application EPA 4/05-6 lies immediately to the west of the EP104 permits and, is currently proceeding through the Native Title process. Emerald's mapping of leads and prospects on EPA 4/05-6 both along and near the Pinnacle Fault has identified several large structures that may host significant accumulations of hydrocarbons, some several times larger than the Stokes Bay prospect, as shown in Figure 1 above.

Emerald believes there is significant potential to discover hydrocarbon accumulations similar to Stokes Bay on this large acreage block, covering the western extension of the Pinnacle Fault. It also includes similar prospect types to the Blina oil field which produced 4 million barrels of oil.

EP L07-6 & T07-1 (Lacapede Islands) Offshore Canning Basin, WA
(Emerald 100% Working Interest and operator)

The Pinnacle Fault is a key structural element between the Fitzroy Sub-Basin and the Lennard Shelf. It is believed to be the conduit for oil and gas migration from the Fitzroy Sub-Basin into structural and stratigraphic traps on the adjacent Lennard Shelf to the north.

The award of new tenements EP6/07-8, EPIT/07-8 and application W07-12 further consolidates Emeralds strategic holdings along the structurally significant Pinnacle Fault zone (PFZ) and its projection offshore. In view of the successful discovery of Devonian "reefal" reservoir rocks in the Stokes Bay 1 well at EP104/R1, which is to be further tested in October 2008, Emerald believes there is significant potential to discover several similar prospects along the western extension of the Pinnacle Fault (map above) both onshore and offshore.

EPA 13SL/07-8 Offshore Canning Basin, WA
(Emerald 100% Working Interest and operator)

Emerald made application for offshore Canning Basin Block W07-12 on April 16, 2008. The application area covers offshore extensions of the Pinnacle Fault. The area surrounds to State Waters releases EP L07-6 and T07-1 that have been awarded to the Company and complements the Company's existing Canning Basin acreage which focuses on the Pinnacle Fault.

In early October 2008 the Company was notified of the success of its application to be awarded as new block EPA 13SL/07-8.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

DIRECTOR'S REPORT

Your Directors have pleasure in submitting their report on the consolidated entity for the "group"; being the company and its controlled entities, for year ended 30 June 2008.

DIRECTORS

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

Jeremy Shervington B.Juris, LLB (52) - appointed 23 January 2006
Non Executive Chairman

EXPERIENCE AND EXPERTISE

Mr Shervington operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. Mr Shervington has 25 years experience as a lawyer, gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia. Mr Shervington has since 1985 served as a director of various ASX listed companies as well as a number of unlisted public and private companies.

OTHER CURRENT DIRECTORSHIPS

Non Executive Director, Australian Zircon NL (appointed 16 February 1998)
Non Executive Director, Prairie Downs Metals Limited (appointed 11 October 2002)
Non Executive Director, Colonial Resources Limited (appointed 11 May 2006)
Non Executive Director, Western Uranium Limited (appointed 11 May 2006)
Non Executive Director, Altera Resources Ltd (appointed 8 August 2006)
Non Executive Director, Industrial Minerals Corporation Limited (appointed 17 January 2004)

OTHER DIRECTORSHIPS IN THE LAST THREE YEARS

Non Executive Director, BioProspect Ltd (appointed 28 February 2000, resigned 26 September 2005)
Non Executive Director, Biron Apparel Limited (appointed 17 February 2005, resigned 21 December 2006)

Robert Berven BEng (Geol), MSc (Geol), Saskatchewan (67) - appointed 14 June 2006
Executive Director - Technical

EXPERIENCE AND EXPERTISE

Mr Berven is a professional Geologist, with over 40 years experience in the petroleum and mining industries in North America and Australasia. Mr Berven is a member of the Australasian Institute of Mining and Metallurgy, the American Association of Petroleum Geologists, the Petroleum Exploration Society of Australia and the Australian Institute of Company Directors.

OTHER CURRENT DIRECTORSHIPS

None

OTHER DIRECTORSHIPS IN THE LAST THREE YEARS

None

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John Hannaford BCom (UWA), C.A., F.Fin. (42) - appointed 14 June 2006
Executive Director - Finance, Joint Company Secretary

EXPERIENCE AND EXPERTISE

Mr Hannaford is a Chartered Accountant who has worked in various corporate roles within the resources sector in Australia, Asia and Europe. Mr Hannaford is a Fellow of the Financial Services Institute of Australasia, an Associate of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce Degree.

OTHER CURRENT DIRECTORSHIPS

Non Executive Director, NeuroDiscovery Limited (appointed 14 April 2005)
Non Executive Director, Atlantic Limited (appointed 4 July 2007)
Non Executive Chairman, Bathurst Resources Ltd (appointed 30 May 2007)

OTHER DIRECTORSHIPS IN THE LAST THREE YEARS

None

COMPANY SECRETARY

John Hannaford was appointed to the position of company secretary on 27 February 2006. As Mr Hannaford is also a Director of the company, details of his qualifications and experience are included above under the heading “Directors”.

Morgan Barron was appointed to the position of joint company secretary on 25 July 2007. Morgan Barron is a qualified Chartered Accountant who has worked in various corporate roles both in Australia and Europe. He has been involved in a number of company secretarial functions and ASX transactions.

PRINCIPAL ACTIVITIES

The principal activities of the Group were the exploration and development of oil and gas properties in the United States of America and Australia.

RESULTS

The net loss of the Group for the financial year 30 June 2008 after income tax amounted to $3,163,621 (2007: $1,927,572).

DIVIDENDS PAID OR RECOMMENDED

No dividend was paid or declared during the financial year and the Directors do not recommend the payment of a dividend.

OPERATING AND FINANCIAL REVIEW

During the year Emerald continued to review its existing projects in the USA and to evaluate new exploration and production opportunities. On 30 April, Emerald announced it had signed a Drilling and Operating Agreement with P&J Resources Inc (“P&J”) covering two 45,000 acre lease areas throughout the Big Sandy area of southern West Virginia and Eastern Kentucky and 45,000 acres in south western West Virginia.

This project heralds a new direction for Emerald focusing the company’s activities on development of a cashflow generating production base and establishment of a significant resource/reserve inventory. Emerald is very excited by this uniquely structured opportunity to enter into a highly prospective area with exposure to a potentially huge project area.

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The 3-D seismic at NW Alice has been completed and is now being processed and interpreted by the operator, Noble Energy and OSO Exploration. A well is planned for the fourth quarter possibly close to the RJ Hunter #1 discovery well drilled in March, 2007. The RJ Hunter #1 well can be side tracked up dip to the west. At the Greenbush project in North Dakota a Bakken shale play has developed around our acreage holdings with many new leases being acquired by outside parties. Two wells were drilled in July and August and both cored the Bakken section, the Bakken potential is now being evaluated from detailed core analysis and 3-D seismic. Bakken exploration in the Williston Basin is focused on Montana, North Dakota and southern Saskatchewan in Canada to the north. In the Canning Basin, Western Australia the Company completed its farm in to earn 12.75% interest in the EP104/R1 JV. In November 2007 the Stokes Bay #1 well was drilled and completed as a potential producer from the Anderson formation and the Devonian Nullara “reefal” carbonates. It will possibly be tested sometime during the fourth quarter of 2008, depending on the weather.

The Company is looking forward to more positive drilling results during the next 3-6 months at the Appalachian Basin, Stokes Bay-1 (possible discovery), NW Alice (discovery/appraisal) and Greenbush.

USA PROJECTS

APPALACHIAN BASIN, KENTUCKY AND WEST VIRGINIA
(Emerald earning 80% Working Interest; Operator: P&J Resources Inc)

During the year the company signed a Drilling and Operating Agreement with P&J Resources Inc (“P&J”) covering two 45,000 acre lease areas throughout the Big Sandy area of southern West Virginia and Eastern Kentucky. Under the agreement, Emerald, through a US subsidiary will have the right to earn up to 80% interest by paying 100% of the turnkey drilling and completion costs of each well.

P&J as operator will undertake the drilling and completion on a turnkey basis for each well and has allocated two Ingersoll Rand drilling rigs for the program. Wells are drilled on either 20 acre spacing (shallow zones up to 3,500 feet) or 40 acre spacing (deeper zones from 4,000 to 5,000 feet). Both areas have historical shallower production, plus some recent deeper producing wells. This agreement provides Emerald with exposure to over 1,000 well potential program once deeper development and infill of shallower zones is realized over the 10 year term of the agreement. Emerald will earn an 80% working interest for payment of 100% of the drilling and completion costs of each well. Emerald will own a 90% interest in the subsidiary. Under the agreement Emerald will earn its interest in the well plus a 4,000 foot radius spacing unit which will include several additional drilling locations surrounding each well drilled. Emerald has committed to the first well of an initial five well program in the West Virginia leases. The Company has also committed to fund completion and hookup of an existing discovery well in Kentucky to earn an 80% working interest. Under the agreement P&J have agreed to re-drill any non-commercial wells, solely at P&J’s cost, effectively ensuring a very high success rate for all Emerald wells. This underscores P&J’s and Emerald’s belief in the continuous nature of the productive formations across the acreage.

GREENBUSH PROJECT, WARD COUNTY, NORTH DAKOTA
(Emerald 15% working interest)

Recent lease acquisition activity around Greenbush indicates that a Bakken shale oil play is rapidly emerging in the area. It produces high quality oil from several parts of the Williston Basin including Montana, North Dakota and SE Saskatchewan across the USA/Canadian border. The Greenbush tenements could have up to 1 million barrels potential oil resources. The two wells were drilled recently and both cored the Bakken section.

Emerald is currently awaiting a recommendation from the operator as to the forward drilling program planned for late 2008 or early 2009 possibly including a horizontal well to evaluate the Bakken and underlying Three Forks foundations.

NW ALICE PROJECT, JIM WELLS COUNTY, TEXAS
(Emerald 10% working interest)

Noble Energy has advised that the 3D seismic survey over the NW Alice project Area of Mutual Interest (AMI) has been completed, processed and interpreted. Initial work is being concentrated around the RJ Hunter #1 discovery well drilled in March, 2007. The seismic data will further enhance and delineate the structure to enable better understanding of the fault trends to identify future well locations. It is anticipated that a new well, on a side track up dip of the RJ Hunter #1, well will be drilled in the fourth quarter of 2008. This continues to be Emerald's key project in the USA with potential 7 BCF gas and 175,000 barrels condensate resources net to Emerald.

Emerald is awaiting recommendation for an appraisal well / development, or a sidetrack and recompletion of the RJ Hunter #1 well.

STEAMBOAT PROSPECT, JIM HOGG COUNTY, TEXAS.
(Emerald 25% Working Interest)

The Steamboat prospect has Wilcox sand targets with a potential resource of 30-100 BCF gas. A four-party consortium (Emerald 25%) is farming out a 3-D seismic survey and one well possibly in Q4, 2008. Discussions are currently underway which could involve re-entering and testing an old well on the prospect.

The four party consortium is seeking a substantial carried working interest in this work program, and due diligence is underway by a potential farminee partner.

WESTERN AUSTRALIA

EP104/R1 PROJECT, CANNING BASIN
(Emerald earning 12.75% working interest)

The Stokes Bay 1 well was deepened to test the Nullara "reefal" carbonates. It drilled into a porous and permeable carbonate (bottom hole) and lost circulation including some 12,000 barrels of drilling fluid into the formation. Pressure gradient studies indicate that the Nullara reefal carbonates could be hydrocarbon-bearing. Operations at the well included removal of the back pressure valve and installation of the well head and pressure gauges. The well head pressure was noted at 1200 psi.

On opening the well to test the pit, it flowed gas for approximately six minutes before slugging mud and gas with flow ceasing after some 30 minutes. After an overnight shut-in the well head pressure was noted at 250 psi but there was no significant flow. The well has now been shut in and the crew has demobilised. These results are very encouraging with the gas flow either from the Laurel gas sands below the 7 inch casing shoe of the Nullara reef section. Plans will now be made for definitive testing of the reservoir.

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EPA 4/05-6 CANNING BASIN, WA
(Emerald 100% Working Interest and operator)

Emerald's application EPA 4/05-6 lies immediately to the west of the EP104 permits and, is currently proceeding through the Native Title process. Emerald's mapping of leads and prospects on EPA 4/05-6 both along and near the Pinnacle Fault has identified several large structures that may host significant accumulations of hydrocarbons, some several times larger than the Stokes Bay prospect, as shown in Figure 2 below. Emerald believes there is significant potential to discover several similar prospects to Stokes Bay on this large acreage block covering the western extension of the Pinnacle Fault. Native Title negotiations are proceeding.

EP L07-6 & T07-1 (LACAPEDE ISLANDS) OFFSHORE CANNING BASIN, WA
(Emerald 100% Working Interest and operator)

The Pinnacle Fault is a key structural element between the Fitzroy Sub-Basin and the Lennard Shelf. It is believed to be the conduit for oil and gas migration from the Fitzroy Sub-Basin into structural and stratigraphic traps on the adjacent Lennard Shelf to the north. The award of new tenements L07-6 and T07-1 further consolidates Emeralds strategic holdings along the structurally significant Pinnacle Fault zone (PFZ) and its projection offshore.

In view of the successful discovery of Devonian "reefal" reservoir rocks in the Stokes Bay 1 well at EP104/R1, which is to be further tested in October 2008, Emerald believes there is significant potential to discover several similar prospects along the western extension of the Pinnacle Fault (map above) both onshore and offshore. Currently investigating Native Title situation and awaiting possible early award.

W07-12 APPLICATION OFFSHORE CANNING BASIN, WA
(Emerald 100% Working Interest and operator)
Emerald made application for offshore canning basin block W07-12 on April 16, 2008. The Company is still awaiting confirmation from the designated authority whether or not it has been successful.

RESULTS

The net loss for the year after tax was $3,163,621 (2007:$1,927,572). This increased loss reflected the exploration activities for the full year, including impairment of exploration expenditure of $2,686,295 (2007: $997,563). Cash outflows for exploration expenditure of $5,735,137 were recorded in the year compared with $1,491,058 in the previous financial period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
During the financial year the company signed a Drilling and Operating Agreement with P&J Resources Inc ("P&J") covering two 45,000 acre lease areas throughout the Big Sandy area of southern West Virginia and Eastern Kentucky. Under the agreement, Emerald, through a US subsidiary will have the right to earn up to 80% interest by paying 100% of the turnkey drilling and completion costs of each well.

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SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following events have taken place at Emeralds Appalachian Basin Project:

Emerald has secured funding for a 50 well drilling program under an agreement with US based investor Avant-Garde Resources LLC. Under the agreement Avant-Garde has committed to invest an initial US$25 million to fund the drilling programs at the Magoffin County Kentucky and Wayne County West Virginia project areas. Avant-Garde will earn a maximum of half of Emeralds Interest in each well in consideration for funding 100% of drilling costs. Emerald has the right to co-fund under the agreement to increase its interest in the program on a well by well basis.

The Company has also signed an MOU with P&J Resources Inc ("P&J"), to acquire a 25% interest in 50 gas wells located in the Magoffin County, Kentucky USA. The wells were drilled between 2004 and 2006 and have all produced gas, however due to capacity constraints and lack of infrastructure production has curtailed. In Wayne County West Virginia Emerald has entered into an MOU to acquire a 25% interest in the pipeline "tap" and associated equipment connected to the El Paso line. This is a strategic move ensuring Emerald always has access to the El Paso line. Emeralds 25% interest entitles the Company to receive a transmission fee for all gas passing through the "tap". In addition Emerald will acquire a 25% interest in P&J's 10 mile 10 inch gathering line in Wayne County West Virginia. This line provides the only access to El Paso's trunkline for the immediate area, so third party producers will have to use the line for a fee.

On 24 September 2008, Emerald announced that the Operator of the Greenbush Project has reached agreement to farm-out the project to Encore Operating LP. The terms of the contract include, Encore funding the drilling of a horizontal well from the Brekhus#2 well location to target the Bakken formation, Encore are to earn 75% by drilling Bakken well through to the tanks, with Greenbush partners being free carried for a 25% working interest after payout and Encore to reimburse Greenbush project partners for previous sunk costs in the project. Emerald will retain a free carried 3.75% working interest in the project and receive full reimbursement for its costs incurred in drilling, seismic and leasing on the project.

Apart from the events detailed above the company is not aware of any matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or Consolidated Entity, the results of those operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS

Apart from the foregoing there are no likely developments in the operations of the company that were not finalised at the date of this report. Further information as to likely developments in the operations of the Group and company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the group.

ENVIRONMENTAL REGULATION

The Directors believe that the consolidated entity has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Group's operations are subject to various environmental regulations under the Federal and State Laws of the United States and Australia. The majority of the Group's activities involve low level disturbance associated with its production facilities and exploration drilling programs. Approvals, licences and hearings and other regulatory requirements are performed by the operators of each permit or lease on behalf of Joint Ventures in which the group participates.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of $14,350 to insure the directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, listed and unlisted options of the company were:

	Shares		**Listed Options**		**Unlisted Options**	
Director	*Held Directly*	*Held Indirectly*	*Held Directly*	*Held Indirectly*	*Held Directly*	*Held Indirectly*
J. Shervington	-	3,250,977	-	-	-	1,567,577
R. Berven	20,000	3,459,054	-	-	-	1,000,000
J. Hannaford	1,188,042	2,002,886	-	-	2,250,000	-
Total	**1,208,042**	**8,712,917**	**-**	**-**	**2,250,000**	**2,567,577**

MEETINGS OF DIRECTORS'

During the financial year, eleven meetings of directors were held with the following attendances:

Directors	**Meetings Attended**	**Meetings Eligible to Attend**
J. Shervington	11	11
R. Berven	11	11
J. Hannaford	11	11

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REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors, executives and key management personnel of the company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personal (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the group receiving the highest remuneration.

The remuneration report is set out under the following main headings:

A. Names and positions of directors and Key Management Personnel
B. Principles used to determine the nature and amount of remuneration
C. Details of remuneration
D. Service agreements
E. Share-based compensation
F. Additional information

A. Names and positions of directors and Key Management Personnel in office at any time during the financial year are:

Name	Position	Appointment / Resignation date
J. Shervington	Non-Executive Chairman	Appointed 23 January 2006
R. Berven	Executive Director - Technical	Appointed 14 June 2006
J. Hannaford	Executive Director - Finance Joint Company Secretary	Appointed 14 June 2006
M. Barron	Joint Company Secretary / CFO	Appointed 24 July 2007

B. Principles used to determine the nature and amount of remuneration

Remuneration philosophy
The remuneration policy of the company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage the consolidated entity. The key management personnel of the company are the executive and non-executive Directors.

For the purposes of this report, the term 'executive' encompasses the executive directors of the Consolidated Entity.

The board's policy for determining the nature and amount of remuneration for board members and key management personnel of the consolidated entity is as follows:

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

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Fixed Remuneration

The remuneration policy, setting the terms and conditions for the executive directors and key management personnel, was developed by the board. All key management personnel are remunerated on a consultancy basis based on services provided by each person. The board reviews key management personnel packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently $200,000). Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans that may exist from time to time.

Variable remuneration - short term incentive (STI)

There is currently no variable short term incentives provided to management in the form of a STI or bonus program. The Board is of the opinion that the variable long term remuneration provided to Directors and executives is sufficient to align the interest of management with shareholders.

Variable remuneration - long term incentive (LTI)

Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Board as a whole agrees upon an appropriate level of remuneration incentive for each director, relative to their involvement in the management of the consolidated entity. The main performance criteria of the LTI remuneration is increasing shareholder value through aligning the company with high quality exploration assets, which in turn increase share price. There are no specific performance hurdles attached to options issued to Directors, however, the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The company believes this policy will be effective in increasing shareholder wealth. On the resignation of Directors the options issued as remuneration are retained by the relevant party. For details of directors and key management personnel interests in options at year end, refer note 7(c).

The board may exercise discretion in relation to approving incentives such as options. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements. Consultants, executive directors and other key management personnel do not receive any superannuation contributions, or any other retirement benefits.

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C. Details of Remuneration

Details of the remuneration of the directors and the key management personnel of Emerald Oil & Gas NL are set out in the following table.

Key management personnel of Emerald Oil & Gas NL (Company and consolidated entity)

2008	Short term benefits		Share based payments (LTI)	Total	% Remuneration consisting of options
	Salary and Fees $	Non Monetary $	Options $	$	%
Directors Non-Executive					
Jeremy Shervington *(Chairman)*	52,000	-	-	52,000	0%
Directors Executive					
Robert Berven(1)	72,000	-	-	72,000	0%
John Hannaford(2)	132,000	-	-	132,000	0%
Specified Executives Company Secretary/CFO					
Morgan Barron(2)	72,000	-	-	72,000	0%
Total	**328,000**	**-**	**-**	**328,000**	0%

2007	Short term benefits		Share based payments (LTI)	Total	% Remuneration consisting of options
	Salary and Fees $	Non Monetary $	Options $	$	%
Directors Non-Executive					
Jeremy Shervington *(Chairman)*	40,000	-	34,580	74,580	46.37%
Directors Executive					
Robert Berven(1)	63,890	-	34,580	98,470	35.11%
John Hannaford(2)	130,000	-	51,870	181,870	28.52%
Total	**233,890**	**-**	**121,030**	**354,920**	**34.10%**

(1) Payments were made to Berven Consultants Pty Ltd, a company associated with Mr Berven by the consolidated entity ($72,000, 2007: $63,890), for the provision of technical consulting and director's fees.

(2) Payments for consulting services as financial director were made to Ventnor Capital Pty Ltd, a company associated with Mr Hannaford, by the consolidated entity ($120,000, 2007: $120,000). Company Secretarial and CFO fees of $72,000 were also payed to Ventnor Capital in the year ended 30 June 2008. Director fees of $12,000 (2007: $10,000) were paid to Riverview Corporation Pty Ltd, a company in which Mr Hannaford has a beneficial interest.

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D. Service Agreements

J Shervington, Non-Executive Chairman

- Monthly contract, agreed and reviewed annually
- Director fees of $60,000 per annum
- There are no termination benefits or provisions in the contract
- No explicitly stated notice period

J Hannaford, Executive Director, Finance

- Monthly contract, agreed and reviewed annually
- Director fees of $12,000 per annum paid to Riverview Corporation Pty Ltd
- There are no termination benefits or provisions in the contract
- No explicitly stated notice period

R Berven, Executive Director, Technical

- Monthly contract, agreed and reviewed annually
- Director fees of $12,000 per annum paid to Berven Consultants Pty Ltd
- There are no termination benefits or provisions in the contract
- No explicitly stated notice period

E. Share Based Compensation

Details of the share based remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the company are set out in the following table. The options were issued to directors in prior periods as part of their remuneration and as incentive options to increase goal convergence between directors and shareholders. The options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

Key management personnel of Emerald Oil & Gas NL (Company and Consolidated Entity)

Options Granted and vested during the year

2008									
Granted		**Terms & Conditions for each Grant**						**Vested**	
Directors	No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
J Shervington	-	-	-	-	-	-	-	-	-
R Berven	-	-	-	-	-	-	-	-	-
J Hannaford	-	-	-	-	-	-	-	-	-
M Barron	-	-	-	-	-	-	-	-	-

2007									
Granted		**Terms & Conditions for each Grant**						**Vested**	
Directors	No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
J Shervington	-	26/06/06	$0.0669	$0.30	31/12/09	26/06/07	31/12/09	600,000	100%
R Berven	-	26/06/06	$0.0669	$0.30	31/12/09	26/06/07	31/12/09	500,000	100%
J Hannaford	-	26/06/06	$0.0669	$0.30	31/12/09	26/06/07	31/12/09	750,000	100%

There were no key management compensation options granted, exercised or that expired during the year. In 2007, none of the options above were exercised or expired.

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F. Additional Information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year.

Emerald Oil & Gas NL (previously named Matrix Oil NL) was placed in administration on 16 October 2002 until the completion of a Deed of Company Arrangement (DOCA) on 23 January 2006. The company completed the acquisition of Emerald Gas Limited on 26 June 2006 following which the principal activities of the Group were the exploration and development of oil and gas properties in the United States of America and Australia. The company was renamed Emerald Oil & Gas NL and was reinstated to the Australian Stock Exchange (ASX) Official List on 30 June 2006. Consequently, remuneration of executives is determined with reference to the operations of the Company since 30 June 2006, with emphasis on delivering value to shareholders through the acquisition of oil and gas projects. The net loss of the Group for the financial year 30 June 2008 after income tax amounted to $3,163,621 (2007: $1,927,572). The company has continued to explore its oil and gas ventures since reinstatement and has aligned itself with a number of high quality exploration targets and producing assets to ensure shareholder wealth is maximised in the coming years.

*****End of Remuneration Report*****

PROCEEDINGS ON BEHALF OF THE COMPANY

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

The company was not a party to any such proceedings during the year.

SHARE OPTIONS

SHARES UNDER OPTION

At the date of this report there are 6,486,638 unissued shares under option outstanding.

Date Granted	Expiry Date	Exercise Price	Number shares under option
23/01/06	23/01/11	$0.1768	661,638
26/06/06	31/12/08	$0.20	2,000,000
26/06/06	31/12/09	$0.25	2,000,000
26/06/06	28/02/10	$0.25	1,500,000
11/10/06	31/12/09	$0.25	325,000
			6,486,638

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate. No shares were issued as a result of the exercise of an option. No options have been exercised since balance date.

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NON-AUDIT SERVICES

No fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2008.

During the year the following fees were paid or payable for services provided by the auditors.

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Audit Fees	38,728	32,300	38,728	32,300

AUDITORS INDEPENDENCE DECLARATION

The auditors' independence declaration as required under section 307C of the Corporations Act 2001 for the financial year ended 30 June 2008 has been received and can be found on page 14.

AUDITOR

Ernst & Young were appointed auditors of the Company during the period.

Signed in accordance with a resolution of the Directors.

J. Hannaford
Executive Director - Finance

Perth
25 September 2008

AUDITORS INDEPENDENCE DECLARATION

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Emerald Oil & Gas NL

In relation to our audit of the financial report of Emerald Oil & Gas NL for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

V W Tidy
Partner
Perth
25 September 2008

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance of the company. The Board guides and monitors the business activities and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable. The company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the company's needs. The Corporate Governance Statement has been structured with reference to the Australian Stock Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations" to the extent that they applicable to the Company.

Information about the company's corporate governance practices available via the Company website are set out below:

THE BOARD OF DIRECTORS

The company's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

If the company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the company's activities will be determined within the limitations imposed by the Constitution and as circumstances demand.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and application of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. Under the company's Constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A managing director may be appointed for the period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

The company is not currently of a size, nor are its affairs of such complexity, to justify the formation of other separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

APPOINTMENTS TO OTHER BOARDS

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

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INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to Director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

RISK MANAGEMENT SYSTEMS

Management has provided the board with a formal report identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. These risk management systems are in place to protect the financial statements of the entity from potential misstatement, allowing declaration from the chairman regarding the financial statements be founded on an effective business risk management system and internal control structure.

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the company. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that oil and gas exploration is a business with inherent risks and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The board has reviewed its current practices in light of the ASX principles of good corporate governance and best practice guidelines 2004 with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

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The following table sets out the ASX Corporate Governance Guidelines with which the company does not comply:

	ASX Principle	Reference/comment
Principle 2:	**Structure the board to add value**	
2.4	The board should establish a nomination committee	The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 4:	**Safeguard integrity in financial reporting**	
4.1 - 4.4	The board should establish an audit committee	The company does not have an Audit Committee. The Board believes that, with only 3 Directors on the Board, the Board itself is the appropriate forum to deal with this function.
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee	Given the current size of the board, the company does not have a remuneration committee. The board as a whole reviews remuneration levels on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
8.2	Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	The Board acknowledges the grant of options to directors' is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the granting of Director Options to be reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

INCOME STATEMENT

For the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Revenue from operations	3	153,435	139,885	932,066	139,876
Financial administration, insurance and compliance costs		(216,031)	(210,695)	(199,211)	(199,543)
Consulting and contracting expenses		(260,865)	(505,501)	(258,000)	(380,301)
Impairment of exploration expenditure	12	(2,686,295)	(997,563)	-	-
Provision for impairment of loans receivable	10	-	-	(3,460,808)	(1,634,494)
General administration expenses		(153,865)	(353,698)	(152,859)	(353,538)
Provision for impairment of investment in subsidiaries		-	-	(350,000)	(2,100,000)
Loss before income tax expense		(3,163,621)	(1,927,572)	(3,488,812)	(4,528,000)
Income tax expense	6	-	-	-	-
Loss for the year	4	(3,163,621)	(1,927,572)	(3,488,812)	(4,528,000)
Net loss attributable to members of the parent entity		(3,163,621)	(1,927,572)	(3,488,812)	(4,528,000)
Basic earnings (loss) per share - cents per share	5	(4.388)	(4.195)		
Diluted earnings (loss) per share - cents per share	5	(4.388)	(4.195)		

The above Income Statements should be read in conjunction with the accompanying notes.

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ACN: 009 795 046

BALANCE SHEET

As at 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
ASSETS					
Current assets					
Cash and cash equivalents	8	5,407,348	4,030,567	5,407,348	4,030,567
Trade and other receivables	9	109,121	5,738	109,118	4,729
Total current assets		5,516,469	4,036,305	5,516,466	4,035,296
Non-current assets					
Trade and other receivables	10	-	-	3,525,016	443,647
Investments in subsidiaries	11	-	-	486,000	836,000
Exploration and evaluation costs	12	4,394,937	1,333,517	-	8,996
Total non-current assets		4,394,937	1,333,517	4,011,016	1,288,643
TOTAL ASSETS		9,911,406	5,369,822	9,527,482	5,323,939
LIABILITIES					
Current liabilities					
Trade and Other Payables	13	188,894	2,482,620	175,894	2,482,470
Total current liabilities		188,894	2,482,620	175,894	2,482,470
TOTAL LIABILITIES		188,894	2,482,620	175,894	2,482,470
NET ASSETS		9,722,512	2,887,202	9,351,588	2,841,469
EQUITY					
Contributed Equity	14	15,001,822	5,002,891	95,364,479	85,365,548
Reserves	15	374,644	374,644	428,644	428,644
Accumulated losses		(5,653,954)	(2,490,333)	(86,441,535)	(82,952,723)
TOTAL EQUITY		9,722,512	2,887,202	9,351,588	2,841,469

The above Balance Sheets should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

2008 (CONSOLIDATED)	Contributed Equity $	Options Reserve $	Accumulated losses $	Total $
Total equity at 1 July 2007	5,002,891	374,644	(2,490,333)	2,887,202
Loss for the period	-	-	(3,163,621)	(3,163,621)
Total income / (expense) for the period	-	-	(3,163,621)	(3,163,621)
Options exercised	3,172,455	-	-	3,172,455
Share-based payments: Options issued during the period	-	-	-	-
Options vested during the year	-	-	-	-
Shares issued during the period (net of issue costs)	6,866,476	-	-	6,866,476
Cancellation of shares	(40,000)	-	-	(40,000)
Total equity at 30 June 2008	15,001,822	374,644	(5,653,954)	9,722,512

2007 (CONSOLIDATED)	Contributed Equity $	Options Reserve $	Accumulated losses $	Total $
Total equity at 1 July 2006	4,371,030	229,200	(562,761)	4,037,469
Loss for the period	-	-	(1,927,572)	(1,927,572)
Total income / (expense) for the period	-	-	(1,927,572)	(1,927,572)
Options exercised	3,851	-	-	3,851
Share-based payments: Options issued during the period	-	7,124	-	7,124
Options vested during the year	-	138,320	-	138,320
Shares issued during the period (net of issue costs)	628,010	-	-	628,010
Total equity at 30 June 2007	5,002,891	374,644	(2,490,333)	2,887,202

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 June 2008

2008 (PARENT)	**Contributed Equity $**	**Options Reserve $**	**Accumulated losses $**	**Total $**
Total equity at 1 July 2007	85,365,548	428,644	(82,952,723)	2,841,469
Loss for the period				
Total income / (expense) for the period	-	-	(3,488,812)	(3,488,812)
Share based payments:				
Options vested during the year	-	-	-	-
Options issued under ESOP	-	-	-	-
Options exercised during the period	3,172,455	-	-	3,172,455
Shares issued during the period (net of issue costs)	6,866,476	-	-	6,866,476
Shares cancelled	(40,000)	-	-	(40,000)
Total equity at 30 June 2008	95,364,479	428,644	(86,441,535)	9,351,588

2007 (PARENT)	**Contributed Equity $**	**Options Reserve $**	**Accumulated losses $**	**Total $**
Total equity at 1 July 2006	84,733,687	283,200	(78,424,723)	6,592,164
Loss for the period	-	-	(4,528,000)	(4,528,000)
Total income/ (expense) for the period	-	-	(4,528,000)	(4,528,000)
Share based payments:				
Options vested during the year	-	138,320	-	138,320
Options issued under ESOP	-	7,124	-	7,124
Options exercised during the period	3,851	-	-	3,851
Shares issued during the period (net of issue costs)	628,010	-	-	628,010
Total equity at 30 June 2007	**85,365,548**	**428,644**	**(82,952,723)**	**2,841,469**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 30 June 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Cash flows from operating activities					
Receipts from customers		18,687	117,531	9,779	117,531
Interest received		143,480	132,230	143,480	132,221
Payments to suppliers and employees		(741,023)	(1,135,295)	(735,644)	(876,761)
Net cash used in operating activities	17	**(578,856)**	**(885,534)**	**(582,385)**	**(627,009)**
Cash flows from investing activities					
Exploration expenditure		(5,735,137)	(1,491,058)	-	(8,996)
Loans to other Group entities		-	-	(5,731,608)	(1,734,623)
Net cash used in investing activities		**(5,735,137)**	**(1,491,058)**	**(5,731,608)**	**(1,743,619)**
Cash flows from financing activities					
Proceeds from issues of shares		5,025,000	720,000	5,025,000	720,000
Proceeds from exercise of options		3,172,455	3,851	3,172,455	3,851
Proceeds from share subscriptions		-	2,295,000	-	2,295,000
Capital raising costs		(506,681)	(551,470)	(506,681)	(551,470)
Net cash flows provided by financing activities		**7,690,774**	**2,467,381**	**7,690,774**	**2,467,381**
Net increase in cash and cash equivalents		1,376,781	90,789	1,376,781	96,753
Cash and cash equivalents at the beginning of the financial year		4,030,567	3,939,778	4,030,567	3,933,814
Cash and cash equivalents at the end of the financial year	8	**5,407,348**	**4,030,567**	**5,407,348**	**4,030,567**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

NOTE 1: CORPORATE INFORMATION / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report of Emerald Oil & Gas NL for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of directors on 25 September 2008.

Emerald Oil & Gas NL was incorporated on 15 September 1969 and is a company limited by shares incorporated in Australia. The financial report is presented in Australian currency.

On 26 June 2006, Emerald Oil & Gas NL acquired all of the outstanding shares in Emerald Gas Pty Ltd via an equity exchange. Under the terms of AASB 3 Business Combinations, Emerald Gas Pty Ltd is deemed to be the accounting acquirer in this business combination as its management exercises operational and financial control over the activities of both entities. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of Emerald Oil & Gas NL have been prepared as a continuation of the consolidated financial statements of Emerald Gas Pty Ltd. Emerald Gas Pty Ltd, as the deemed acquirer, has acquisition accounted for Emerald Oil & Gas NL from 26 June 2006.

The principal activity of Emerald Oil & Gas NL and its controlled entities (the Group) is the exploration of petroleum and gas properties in the United States of America and Australia.

The significant policies which have been adopted in the preparation of this financial report are:

A. Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars ($).

B. Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

C. Principles of Consolidation

<u>Subsidiaries</u>

The consolidated accounts comprise the assets and liabilities of Emerald Oil & Gas NL and its subsidiaries at 30 June 2008 and the results of all subsidiaries for the year then ended. A subsidiary is any entity controlled by Emerald Oil & Gas NL.

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Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(J)).

The financial statements of subsidiaries are prepared from the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost less any impairment in the individual financial statements of Emerald Oil & Gas NL.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period which Emerald Oil & Gas NL has control.

Joint Ventures

Jointly controlled assets
The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 25.

D. Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on those tax rates (and tax laws) which have been enacted or substantively enacted for each jurisdiction at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

<u>Tax consolidation legislation</u>

The company and its wholly-owned Australian resident subsidiary have not formed a tax-consolidated group as at balance sheet date.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

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E. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

F. Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at fair value and subsequently at amortised cost less a provision for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms or receivables. Debtors outstanding for greater than 120 days will, in the absence of further information, be provided for in the accounts. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

G. Investments and Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit & loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financials assets are recognised initially, they are measured at fair value, plus, in the case of investments not a fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sale of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

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Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit & loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Investments in Subsidiaries

Investments in subsidiaries are held at the lower of cost and recoverable amount.

H. Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

I. Foreign Currency Translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

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Group companies

The functional currency of the overseas subsidiary (Emerald Gas USA LLC) is currently Australian dollars. The Board of Directors assess the appropriate functional currency of this entity on an ongoing basis. The functional currency of Emerald Gas USA LLC may convert to US dollars upon successful establishment of oil or gas reserves in the USA.

J. Business Combinations

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

K. Impairment of Assets

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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L. Share Based Payments

The Group provides benefits to employees (including directors) in the form of share-based compensation, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There is currently an Employee Share Option Plan (ESOP) in place to provide these benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black & Scholes method.

The Black-Scholes option pricing model takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The cost of equity-settled transactions is recognised, together with a correspondence increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award is treated as if it were a modification of the original award, as described in the previous paragraph.

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M. Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

N. Revenue

Revenue is recognised at the fair value of the consideration receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a time proportion basis using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

O. Contributed Equity

Ordinary Shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

P. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Q. Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

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R. Trade and other Payables

Trade payables and other payables are carried at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

S. Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with Australian Equivalents to International Financial Reporting Standards ("AIFRS") requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Exploration and evaluation expenditure

Exploration and evaluation expenditure has been carried forward in accordance with policy 2 (H) on the basis that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/ or economically recoverable resources are not assessed as being present, this expenditure will be expensed to the income statement.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using the Black-Scholes formula, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 22. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTE 2: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies nor affected the amounts reported for the current or prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

Adoption of new accounting standard

The Group has adopted AASB 7 Financial Instruments Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit or loss, or the financial position of the entity.

At the date of authorisation of the financial report certain of the Australian Accounting Standards and Interpretations issued or amended but not yet effective have not been adopted by the Group for the financial reporting period ended 30 June 2008. The Directors have assessed the impact of these new or amended standards (to the extent relevant to the Group) and interpretations as follows:

AASB Amendment.	Standards Affected	Outline of amendment	Application Date of Standard	Application Date for Company
AASB 2007-3	AASB 5 Non-current assets held for sale and discontinued operations AASB 6 Exploration for a and evaluation of minerals AASB 107 Cash flow statements AASB 127 Consolidated and separate financial statements AASB 134 Interim financial reporting AASB 136 Impairment of assets	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1.1.2009	1.7.2009
AASB 8	AASB 114 Segment Reporting	As above.	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101 requires the presentation of comprehensive income and makes changes to the statement of changes in equity.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above.	1.1.2009	1.7.2009
AASB 2008-1	AASB 2 Share-based payments	These amendments involve changes to the valuation method adopted with regard to vesting conditions and cancellations of options issued under employee share option schemes. It is anticipated that there will be no direct impact on amounts included in the financial report.	1.1.2009	1.7.2009

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

AASB Amendment.	Standards Affected	Outline of amendment	Application Date of Standard	Application Date for Company
AASB 2008-3	AASB 2 Share based payments AASB 7 Financial Instruments: Disclosure AASB 101 Presentation of Financial Statements AASB 107 Statement of Cash Flows AASB 112 Income Taxes AASB 114 Segment Reporting AASB 116 Property, Plant and Equipment AASB 121 The effects of Changes in Foreign Exchange Rates AASB 132 Financial Instruments: Presentation AASB 133 Earnings per Share AASB 134 Interim Financial Reporting AASB 136 Impairment of Assets AASB 137 Provisions, Contingent liabilities and Contingent Assets AASB 139 Financial Instruments: Recognition and measurement	Amendments to AASB 3 and AASB 127 have resulted in changes in the accounting for Subsidiaries, requiring the acquisition method of accounting to be used for all business combinations. The Company did not undertake any business combination transactions in the current or prior year, and the Directors are of the opinion that there would be no direct impact on amounts included in the financial report.	1.1.2009	1.7.2009
AASB 3	AASB 3 Business Combinations	As above	1.1.2009	1.7.2009
AASB 127	AASB 127 Consolidated and Separate Financial Statements	As above	1.1.2009	1.7.2009

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company or the Group.

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NOTE 3: REVENUE

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Gas sales	9,955	-	-	-
Interest revenue	143,480	132,230	569,704	132,221
Management fees	-	-	362,362	-
Other revenue	-	7,655	-	7,655
	153,435	139,885	932,066	139,876

NOTE 4: LOSS FOR THE YEAR

Loss before income tax has been determined after :

a) Employee benefit expense

Consulting fees	260,865	360,057	258,000	234,857
Expense of share based payments	-	145,444	-	145,444
	260,865	505,501	258,000	380,301

NOTE 5: EARNINGS PER SHARE

Basic earnings per share - cents	(4.388)	(4.195)
Diluted earnings per share - cents	(4.388)	(4.195)
Earnings used in the calculation of basic and dilutive EPS	(3,163,621)	(1,927,572)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS.	72,090,961	45,949,723

Of the total 6,486,639 (2007: 35,717,377) options outstanding at 30 June 2008, 6,486,639 (2007: 35,717,377) are not considered potential ordinary shares and are therefore not dilutive.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

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NOTE 6: INCOME TAX

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Deferred Income Tax				
Relating to the origination and reversal of temporary differences	-	-	-	-
Relating to the recognition of deferred tax assets arising from tax losses	-	-	-	-
Income tax expense reported in the income statement	-	-	-	-
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
Loss before income tax	(3,163,621)	(1,927,572)	(3,488,812)	(4,528,000)
At statutory income tax rate of 30%	(949,086)	(578,271)	(1,046,644)	(1,358,400)
Share based payments	-	43,633	-	43,633
Provision for impairment of intercompany loan	-	-	1,038,242	490,348
Provision for impairment of investment in subsidiary	-	-	-	630,000
Other	(27,907)	30,075	(31,806)	-
Unrecognised tax losses and deferred tax assets	976,993	504,563	40,208	194,419
Movements in deferred tax balances	-	-	-	-
Income tax expense	-	-	-	-

(c) Recognised Deferred Tax Assets and Liabilities

	Balance Sheet		Income Statement	
	2008	**2007**	**2008**	**2007**
CONSOLIDATED	**$**	**$**	**$**	**$**
Deferred Tax Liabilities				
Exploration expenditure	1,461,049	461,706	(999,343)	(461,706)
	1,461,049	461,706	(999,343)	(461,706)
Deferred tax assets				
Tax losses	1,461,049	461,706	999,343	461,706
	1,461,049	461,706	999,343	461,706
Net deferred tax assets	-	-		
Deferred tax income (expense)			-	-

	Balance Sheet		Income Statement	
	2008	**2007**	**2008**	**2007**
PARENT	**$**	**$**	**$**	**$**
Deferred Tax Liabilities				
Exploration expenditure	-	-	-	-
Deferred tax assets				
Tax losses	-	-	-	-
	-	-	-	-
Net deferred tax assets	-	-		
Deferred tax income (expense)			-	-

(d) Tax losses

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

Emerald Gas LLC (US) has tax losses arising in the United States which are available up to a maximum of ten years.

The Consolidated Entity has available Australian tax losses of $6,501,412 (2007: $938,450), and available USA tax losses are estimated to be $29,782 (2007: $921,241). The Company has estimated Australian tax losses of $858,952 (2007: $724,926).

The Consolidated Entity has unrecognised deferred tax assets amounting to $499,798 (2007: $603,969) and the Company has an unrecognised deferred tax asset amounting to $257,686 (2007: $279,677).

As at 30 June 2008, a deferred tax asset in relation to tax losses totalling $1,461,049 (2007: $461,706) has been recognised. This asset has been recognised to the extent that it nets off from a deferred tax liability in relation to exploration and evaluation expenditure.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

(e) Other unrecognised temporary differences

As at 30 June 2008, the consolidated entity has other temporary differences (not associated with tax losses) for which no deferred tax assets or liabilities have been recognised, as follows:

	Consolidated 2008 $	Consolidated 2007 $	Parent 2008 $	Parent 2007 $
Accruals	47,850	140,250	34,850	140,250
Impairment losses on investments in subsidiaries	-	-	-	2,100,000

NOTE 7: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management personnel compensation

Consolidated and Parent	Short term benefits		Share based payments (LTI)	Total	% performance related
	Salary and Fees $	Non Monetary $	Options $	$	%
2008 Consolidated and Parent	328,000	-	-	328,000	Nil
2007 Consolidated and Parent	233,890	-	121,030	354,920	Nil

(b) Share holdings of key management personnel

The movement during the year in the number of ordinary shares of Emerald Oil & Gas NL held, directly, indirectly or beneficially, by each director, including their personally-related entities is as follows:

2008

Directors	Held at beginning of year	Movement during year*	Options Exercised	Held at 30th June 2008
Directors				
J. Shervington	1,912,995	-	1,337,982	3,250,977
R. Berven	3,159,054	220,000	100,000	3,479,054
J. Hannaford	2,649,613	441,315	100,000	3,190,928
Total	**7,721,662**	**661,315**	**1,537,982**	**9,920,959**

* Movement represents shares purchased on market during the financial year.

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2007

Directors	Held at beginning of year	Movement during year*	Options Exercised	Held at 30th June 2007
Directors				
J. Shervington	1,862,995	50,000	-	1,912,995
R. Berven	3,139,054	20,000	-	3,159,054
J. Hannaford	2,499,613	150,000	-	2,649,613
Total	**7,501,662**	**220,000**	-	**7,721,662**

* Movement represents shares purchased on market during the financial year.

(c) Options holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in Emerald Oil & Gas NL held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

2008
Listed Options

Directors	Held at beginning of year	Movement during year*	Exercised	Held at 30 June 2008	Vested and exercisable at 30 June 2008
J. Shervington	1,337,982	-	(1,337,982)	-	-
R. Berven	140,000	(40,000)	(100,000)	-	-
J. Hannaford	100,000	-	(100,000)	-	-
Total	**1,577,982**	**(40,000)**	**(1,537,982)**	**-**	**-**

* Movement represents options sold on market during the financial year

2007
Listed Options

Directors	Held at beginning of year	Movement during Year*	Exercised	Held at 30 June 2007	Vested and exercisable at 30 June 2007
J. Shervington	1,337,982	-	-	1,337,982	1,337,982
R. Berven	120,000	20,000	-	140,000	140,000
J. Hannaford	100,000	-	-	100,000	100,000
Total	**1,557,982**	**20,000**	**-**	**1,577,982**	**1,577,982**

* Movement represents shares purchased on market during the financial year.

2008
Unlisted Options

Directors	Held at beginning of year	Movement during year	Exercised	Held at 30 June 2008	Vested and exercisable at 30 June 2008
J Shervington	1,567,577	-	-	1,567,577	1,567,577
R Berven	1,000,000	-	-	1,000,000	1,000,000
J Hannaford	2,250,000	-	-	2,250,000	2,250,000
Specified Executives					
M Barron	200,000	-	-	200,000	200,000
Total	**5,017,577**	**-**	**-**	**5,017,577**	**5,017,577**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

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2007
Unlisted Options

Directors	Held at beginning of year	Movement during year(1)	Exercised	Held at 30 June 2007	Vested and exercisable at 30 June 2007
J. Shervington	1,567,577	-	-	1,567,577	1,567,577
R. Berven	1,000,000	-	-	1,000,000	1,000,000
J. Hannaford	2,250,000	-	-	2,250,000	2,250,000
Total	**4,817,577**	**-**	**-**	**4,817,577**	**4,817,577**

(1) The above movements represent management options which have been accounted for as share based payments.

(d) Loans to key management personnel

As at 30 June 2008 there were no loans to any directors.

(e) Loans from key management personnel

As at 30 June 2008 there is an amount of $Nil (2007: $150) owing to Riverview Corporation Pty Ltd, an entity related to Mr John Hannaford.

(f) Other Transactions and balances with key management personnel

	Consolidated		Parent	
	2008	2007	2008	2007
	$	$	$	$
Other related parties				
1) Legal	10,000	40,000	10,000	40,000
2) Serviced office charges	93,000	84,097	93,000	84,097
3) Bookkeeping, financial accounting and administration	107,873	78,680	107,873	78,680

1) These payments were made to Jeremy Shervington, for legal services provided by of Mr Jeremy Shervington and Associates in relation to the preparation of legal documentation, agreements, prospectus notice of meeting and other services in relation to secondary capital raisings in the current period and the recapitalisation and re-listing of the Company in the prior period. These services were provided on normal commercial terms and conditions.

2) Payments were made to Ventnor Capital Pty Ltd a company associated with John Hannaford for serviced offices totalling $93,000 (2007: $84,097) (excl GST). These services were provided on normal commercial terms and conditions.

3) Payments were made to Ventnor Capital Pty Ltd a company associated with John Hannaford for office Bookkeeping, financial accounting and administration totalling $92,873 (2007: $78,680) (excl GST). These services were provided on normal commercial terms and conditions.

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NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Cash at bank and on hand [(a)(b)]	5,407,348	4,030,567	5,407,348	4,030,567
[(a)] Cash at bank is bearing floating interest rates at a effective interest rate of:	7.02% per annum	5.44% per annum	7.02% per annum	5.44% per annum

[(b)] As at 30 June 2007, $2,295,000 was held in trust awaiting shareholder approval in relation to a Private placement.

NOTE 9: TRADE AND OTHER RECEIVABLES (Current)

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Other receivables	109,121	5,738	109,118	4,729

The above amounts do not bear interest and their carrying amount is equivalent to their fair value.

NOTE 10: TRADE AND OTHER RECEIVABLES (Non Current)

Loan to subsidiaries	-	-	8,620,318	2,078,141
Less: Provision for impairment	-	-	(5,095,302)	(1,634,494)
	-	-	3,525,016	443,647

Loans between Emerald Oil & Gas NL and entities in the wholly owned group are repayable at call. Interest is charged on at call inter-company loans at a rate of 8% per annum. Classification of at call related party loans as non-current in the financial statements is based upon current expectations of loan repayments. The directors have considered the indicators of impairment as at 30 June 2008, such as the net assets of the subsidiaries and the commercial and development potential of each entity's projects and have reduced the carrying value of the loan to reflect the value inherent in the subsidiaries' assets where appropriate.

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Movements in the provision for impairment for the year are set out below:

	Consolidated $	Company $
Balance as at 1 July 2007	-	1,634,494
Impairment provision recognised at 31 Dec 2007	-	2,635,701
Impairment provision recognised at 30 Jun 2008	-	825,107
Balance as at 30 June 2008	-	5,095,302
Balance as at 1 July 2006	-	-
Impairment provision recognised at 30 Jun 2006	-	1,634,494
Balance as at 30 June 2007	-	1,634,494

NOTE 11: INVESTMENTS IN SUBSIDIARIES

Shares in subsidiaries				
At cost (Note 19)	-	-	2,936,000	2,936,000
Less: Provision for impairment*	-	-	(2,450,000)	(2,100,000)
Net carrying value	-	-	486,000	836,000

* The directors have considered the indicators of impairment as at 30 June 2008 and consequently reduced the carrying value of the investments to reflect the inherent value of the subsidiaries' net assets.

NOTE 12: EXPLORATION & EVALUATION COSTS

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Exploration, evaluation and development costs carried forward in respect of areas of interest in the USA and Australia	4,394,937	1,333,517	-	-
(a) Reconciled as follows:				
Balance at the beginning of the year	1,333,517	840,022	8,996	-
Capitalised during the year	5,747,715	1,491,058	-	8,996
Transferred to other group entity	-	-	(8,996)	-
Impairment of exploration expenses	(2,686,295)	(997,563)	-	-
Balance at the end of the year	4,394,937	1,333,517	-	8,996

*Throughout the 2008 financial year the Board of Directors reviewed exploration, evaluation and development costs capitalised on its projects and made impairment adjustments to a number of its prospects. The write offs were as a result of lack of exploration success, the directors ongoing analysis of the economic viability of projects and relinquishing of interests in the relevant projects.

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The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

Impairment:
Exploration and evaluation expenditure impaired during the year relates to the Pandura, Progresso, Greenbush, Hope, Glamour Girl, EP-104 and Palito Blanco oil and gas tenements. After assessing the potential of each project, the Directors are of the opinion that a certain amount of the costs associated with these projects should be written off.

NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Trade Creditors	141,044	47,220	141,044	47,220
Accruals	47,850	140,250	34,850	140,250
Subscriptions received *	-	2,295,000	-	2,295,000
Other	-	150	-	-
	188,894	2,482,620	175,894	2,482,470

*As at 30 June 2007, $2,295,000 was held in trust awaiting shareholder approval in relation to a Private placement.

Trade payables are non interest bearing, unsecured and are usually paid within 30 days of recognition.

NOTE 14: CONTRIBUTED EQUITY

	Number of Shares	$
PARENT ENTITY		
2008		
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	115,031,534	95,364,479
(b) Movements in fully paid shares on issue		
Opening balance as at 1 July 2006	45,600,000	84,733,687
Issue of Shares		
Capital raising to the public	4,000,000	720,000
Share issue costs	-	(91,990)
Conversion of options	19,261	3,851
Total shares on issue at 30 June 2007	49,619,261	85,365,548
Issue of shares		
Capital raising to the public	50,250,000	7,320,000
Share issue costs	-	(453,524)
On exercise of options	15,862,273	3,172,455
Cancelled shares	(250,000)	(40,000)
Total fully paid shares on issue AT 30 June 2008	115,481,534	95,364,479

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Consolidated Entity

The contributed equity of the consolidated entity comprises the contributed equity of Emerald Gas Pty Ltd, a company deemed to be the acquirer of Emerald Oil and Gas NL under a reverse acquisition transaction occurring in the year ended 30 June 2007. The monetary share capital balance represents the equity in Emerald Gas Pty Ltd at the time of the acquisition and subsequent transactions with equity holders of Emerald Oil & Gas NL in their capacity as equity holders.

(c) Terms and conditions of contributed equity
Ordinary shares have the right to receive dividends as declared, and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Share Options
Information relating to Emerald Oil & Gas NL options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 22.

(e) Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business. Given the stage of the Company's development there are no formal targets set for return on capital. Capital consists of contributed equity as disclosed in the balance sheet. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

NOTE 15: RESERVES

Nature and purpose of reserves
1) Options reserve - The options reserve is used to recognise the fair value of all options issued and not exercised.

NOTE 16: SEGMENT REPORTING

Geographical Segment - primary reporting segment

The consolidated entity operates solely in the exploration and development of properties for the development of oil and gas within Australia and the USA.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

2008 Geographical segment	**USA $**	**Australia $**	**Eliminations $**	**Consolidated $**
Segment result	(2,332,851)	(5,573,644)	4,599,394	(3,307,101)
Unallocated Revenues (Interest)				143,480
Net loss for the year				(3,163,621)
Segment assets	3,223,861	11,333,866	(4,646,321)	9,911,406
Segment liabilities	(6,798,808)	(2,645,707)	9,255,621	(188,894)
Impairment losses:				
Exploration properties	(1,671,870)	(1,014,425)	-	(2,686,295)
Investments	-	(350,000)	350,000	-
Share-based payments	-	-	-	-
Acquisition of exploration & evaluation assets	3,578,072	2,169,643	-	5,747,715

2007 Geographical segment	**USA $**	**Australia $**	**Eliminations $**	**Consolidated $**
Segment result	(1,529,822)	(4,667,876)	4,130,241	(2,067,457)
Unallocated Revenues (Interest)	-	-	-	139,885
Net loss for the year				(1,927,572)
Segment assets	1,960,836	5,374,816	(1,914,953)	5,420,699
Segment liabilities	(2,713,595)	(2,482,470)	2,713,445	(2,482,620)
Impairment losses:				
Exploration properties	(997,563)	-	-	(997,563)
Investments	-	(2,100,000)	2,100,000	-
Share-based payments	-	(145,444)	-	(145,444)
Acquisition of exploration & evaluation assets	1,482,062	8,996	-	1,491,058

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

NOTE 17: CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss after income tax:

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Loss for the year	(3,163,621)	(1,927,572)	(3,488,812)	(4,528,000)
Non cash items:				
Share based payments	-	145,444	-	145,444
Provision for impairment of loan receivable	-	-	3,460,808	1,634,494
Provision for impairment of investment in subsidiaries	-	-	350,000	2,100,000
Write off exploration expenditure	2,686,295	997,563	-	-
Accrued management fees	-	-	(362,362)	-
Accrued interest on intercompany loans	-	-	(426,224)	-
Changes in assets and liabilities				
Change in trade creditors and accruals	1,829	(128,429)	(11,404)	23,722
Change in other debtors	(103,359)	27,460	(104,391)	(2,669)
Change in deferred tax balances	-	-	-	-
Cash flows used in operations	**(578,856)**	**(885,534)**	**(582,385)**	**(627,009)**

NOTE 18: NON CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Cancellation of share capital	(40,000)	-	(40,000)	-
Intercompany loan interest	-	-	(426,224)	-

NOTE 19: INTERESTS IN CONTROLLED ENTITIES

The Company has the following Subsidiaries:

Name of Subsidiary	Place of Incorporation	Class of Shares	Percentage held 2008	Percentage held 2007
Emerald Gas USA LLC	USA	Ordinary	100%	100%
Emerald Gas Pty Ltd	Australia	Ordinary	100%	100%

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NOTE 20: RELATED PARTY TRANSACTIONS

(a) Parent Entities
The parent entity within the Group is Emerald Oil & Gas NL.

(b) Subsidiaries
Interests in subsidiaries are set out in Note 19.

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Management fees charges to US subsidiaries	-	-	362,362	-

(c) Key management personnel
Disclosures relating to key management personnel are set out in Note 7.

(d) Loans to and from related parties

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Loans to Subsidiaries				
Beginning of the year	-	-	443,647	343,519
Loans advanced	-	-	6,155,953	1,734,622
Interest on loan balances	-	-	426,224	-
Reduction due to cancelled shares	-	-	(40,000)	-
Provision for impairment	-	-	(3,460,808)	(1,634,494)
End of year	-	-	3,525,016	443,647

(e) Terms and Conditions

Loans between entities in the wholly owned group are interest bearing at a fixed rate of 8% per annum, unsecured and are payable at call. It is not expected that the loans will be called upon in the coming 12 months.

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

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NOTE 21: AUDITORS' REMUNERATION

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Amounts received or due and receivable by PricewaterhouseCoopers:				
Audit of the financial report of the entity and any other entity in the Group	-	-	-	24,000
Amounts received or due and receivable by Ernst & Young				
Audit of the financial report of the entity and any other entity in the Group	34,360	32,300	-	-

NOTE 22: SHARE BASED PAYMENTS

(a) Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Options issued to Management Personnel as share based payments under ESOP(1)	-	7,124	-	7,124
Options issued to management and other parties (2)	-	138,320	-	138,320
	-	**145,444**	**-**	**145,444**

The above expenses are represented by the following:

(1) During 2008, Nil (2007: 325,000) options were issued to executives and consultants under the Employee Share Option Plan. This resulted in an expense of $Nil (2007: $7,124) in the current year.

(2) During 2008, no management options were issued, and no options issued in previous years vested. In 2006, 4,661,638 management options were issued to Directors. In 2007, 2,000,000 management options which were issued during 2006 vested, resulting in an expense of $138,320 in the consolidated and parent entity.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

(b) Share Based Payment Plans

The Company currently has an Employee Share Option Plan (ESOP) in place for senior executives. Under the ESOP, Options may be issued to senior executives under the plan in accordance with the performance of the company and the services provided by the executive at the discretion of the Board. Options issued under the plan vest immediately and have a contractual life of 3 years.

(c) Summary of Options Granted for the year

Options issued under ESOP arrangements

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued under the ESOP during the year:

These options are represented below:

	2008		2007	
	No.	**WAEP**	**No.**	**WAEP**
Outstanding at the beginning of the year	325,000	$0.25	-	
Granted during the year	-	-	325,000	$0.25
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding and exercisable at the end of the year	325,000	$0.25	325,000	$0.25

The outstanding balance at 30 June 2008 is represented by options over ordinary shares with an exercise price of $0.25 each (2007: $0.25) each, exercisable immediately and until 31 December 2009. These options were issued to executives and consultants.

The weighted average remaining contractual life of the above share options outstanding as at 30 June 2008 is 1.5 years (2007: 2.5 years) and they are exercisable at 25 cents (2007: 25 cents).

(d) Weighted average fair value

The weighted average fair value of options issued under the ESOP during the year is $Nil (2007: $0.02).

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

2008								
Granted	**Terms & Conditions for each Grant**						**Vested**	
No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

2007	Terms & Conditions for each Grant						Vested	
Granted								
No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
325,000	11/10/06	0.02192	$0.25	31/12/09	11/10/06	31/12/09	325,000	100

There were nil (2007: 325,000) options granted during the year under ESOP arrangements. The table below summaries the model inputs for ESOP options granted during 2007:

Model Inputs	Options
1. Options are granted for no consideration:	325,000
2. Exercise price (cents):	25
3. Valuation date:	11 October 2006
4. Expiry date:	31 December 2009
5. Underlying security spot price at grant date (cents):	9.2
6. Expected price volatility of the company's shares:	75%
7. Expected dividend yield:	0%
8. Risk-free interest rate	6.25%
9. The expected price volatility is based on the historic volatility of an average of comparable companies.	75%

NOTE 23: EXPENDITURE COMMITMENTS

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Capital commitments At 30 June 2008 the Group has commitments principally relating to the drilling and development of its oil and gas properties as follows:	1,200,000	1,735,954	-	-
Within one year	1,200,000	1,735,954	-	-

NOTE 24: CONTINGENCIES

There have been no changes in contingent liabilities or contingent assets since the last reporting date. The directors are not aware of any contingencies that the company is party to that are quantifiable and therefore no such provisions have been made in the financial statements.

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NOTE 25: NON OPERATOR JOINT VENTURE INTERESTS

The capitalised exploration expenditure on the balance sheet shows the costs incurred on the following exploration joint ventures:

Appalachian Basin
80% working interest in the Appalachian Development Gas project located in North Dakota. Carrying value at 30 June 2008: $1,879,799 (2007: $Nil).

Greenbush (USA) - 15% working interest in the Greenbush oil exploration project located in North Dakota. Carrying value at 30 June 2008: $676,750 (2007: $660,711).

North West Alice (USA) - 10% working interest in the North West Alice gas exploration project located in Texas. Carrying value at 30 June 2008: $659,190 (2007: 501,906).

Steamboat (USA) - 25% working interest in the Steamboat gas exploration project located in Texas. Carrying value at 30 June 2008: $8,121 (2007: $8,121).

EP104 - Canning Basin (Western Australia) - 12.75% working interest in the EP104 oil and gas exploration project located in the Canning basin in Western Australia. Carrying value at 30 June 2008: $1,108,994 (2007: $1,954).

EP 04/05-6 - Canning Basin (Western Australia) - 100% working interest in the EPA 4/05-6 oil and gas exploration project located in the Canning basin in Western Australia. Carrying value at 30 June 2008: $35,668 (2007: $14,358).

EP6/07-8 and EP IT07-8 - Canning Basin (Western Australia) - 100% Interest in the EP6/07-8 and EP IT07-8 oil and gas exploration projects in the Lacapede Islands of the Canning Basin in Western Australia. Carrying value at 30 June 2008: $17,061 (2007: $Nil).

W07-12 - Canning Basin (Western Australia) - 100% Interest in the W07-12 project in the oil and gas exploration project located in the Canning Basin in Western Australia. Carrying value at 30 June 2008: $9,353 (2007: $Nil).

Joint venture commitments and contingencies
There are no commitments within the current Joint Ventures.
The directors are not aware of any contingent liabilities arising from the Joint Venture operations.

NOTE 26: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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Risk management is carried out by the Executive Director (Finance) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange and interest rate and credit risks.

a) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate due to exchanges in foreign exchange rates. Emerald is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency. Risks are managed at board level but there are currently no formal measures in place.

Emerald is exposed to foreign currency denominated in US dollars through the future sales of oil and gas supplies, however, at 30 June 2008, the Group had no financial assets or liabilities that were denominates in US dollars.

b) Market Risk
Price risk
The Group is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available for sale or at fair value through profit or loss.

The Company is not directly exposed to commodity price risk. However, as an explorer focusing on oil and gas exploration plays, the company has an indirect exposure to fluctuations in the oil price.

c) Credit Risk
The maximum exposure of the Consolidated Entity and the Company to credit risk at balance sheet date in relation to each class of recognised financial asset is limited to the carrying amounts of the financial assets as indicated in the balance sheet. The credit risk relates to trade and other receivables. At balance date there are no receivables past due. The company monitors its debtors consistently to minimise its exposure to credit risk.

Emerald is currently aligned with one financial institution. This financial institution demonstrates high credit quality mitigating any credit risk in regard to the Consolidated Entity's cash reserves.

d) Liquidity Risk
Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Management monitors rolling cash flow forecasts to manage liquidity risk. The only financial liabilities of the Group at balance date are trade and other payables. The amounts are unsecured and are usually paid within 30 days of recognition.

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e) Cashflow and Fair value Interest Rate Risk
The Group's exposure to interest rate risk related primarily to the Company's floating interest rate cash balance which is subject to movements in interest rates. The Board monitors its cash balance on an ongoing basis and liaises with its financiers regularly to mitigate cash flow and interest rate risk. Refer to Note 27 for interest rate risk exposure and sensitivity analysis.

There were no changes to the risk management policies from prior years.

NOTE 27: FAIR VALUE AND INTEREST RATE RISK

(a) Fair value
All financial assets and financial liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes

(b) Interest rate risk
Emerald's exposure to interest rate risk is set out below:

Consolidated Entity - 2008

	Weighted average effective interest rate	Floating interest rate	Non interest bearing	Total
	%	$	$	$
Financial assets				
Cash and cash equivalents	7.02%	5,407,348	-	5,407,348
Trade and other receivables		-	109,121	109,121
Total Financial Assets		5,407,348	109,121	5,516,469
Financial Liabilities				
Trade and other payables		-	(188,894)	(188,894)
Total Financial Liabilities		-	(188,894)	(188,894)

Consolidated Entity - 2007

	Weighted average effective interest rate	Floating interest rate	Non interest bearing	Total
	%	$	$	$
Financial assets				
Cash and cash equivalents	5.4%	4,030,567	-	4,030,567
Trade and other receivables		-	5,738	5,738
Total Financial Assets		4,030,567	5,738	4,036,305
Financial Liabilities				
Trade and other payables		-	(2,482,620)	(2,482,620)
Total Financial Liabilities		-	(2,482,620)	(2,482,620)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2008

Parent - 2008

	Weighted average effective interest rate	Floating interest rate	Fixed interest rate	Non interest bearing	Total
	%	$	$	$	$
Financial assets					
Cash and cash equivalents	7.02%	5,407,348	-	-	5,407,348
Receivables		-	-	109,118	109,118
Loans to subsidiaries	8.00%	-	3,530,313	-	3,530,313
Total Financial Assets		5,407,348	3,530,313	109,118	9,046,779
Financial Liabilities					
Trade and other payables		-	-	(175,894)	(175,894)
Total Financial Liabilities		-	-	(175,894)	(175,894)

Parent - 2007

	Weighted average effective interest rate	Floating interest rate	Non interest bearing	Total
	%	$	$	$
Financial assets				
Cash and cash equivalents	5.4%	4,030,567	-	4,030,567
Receivables		-	448,376	448,376
Total Financial Assets		4,030,567	448,376	4,478,943
Financial Liabilities				
Trade and other payables		-	(2,482,470)	(2,482,470)
Total Financial Liabilities		-	(2,482,470)	(2,482,470)

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be possible change and is used when reporting interest rate risk.

		Effect On:		Effect On:	
		Profit	**Equity**	**Profit**	**Equity**
Risk Variable	**Sensitivity***	**2008**	**2008**	**2007**	**2007**
Interest Rate	+ 0.50%	26,911	26,911	20,153	20,153
	- 0.50%	(26,911)	(26,911)	(20,153)	(20,153)

*The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, there was a bias towards an increase in interest rate ranging between 0 to 50 basis points. It is considered that 50 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

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NOTE 28: EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date, the following events have taken place at Emeralds Appalachian Basin Project:

Emerald has secured funding for a 50 well drilling program under an agreement with US based investor Avant-Garde Resources LLC. Under the agreement Avant-Garde has committed to invest an initial US$25 million to fund the drilling programs at the Magoffin County Kentucky and Wayne County West Virginia project areas. Avant-Garde will earn a maximum of half of Emeralds Interest in each well in consideration for funding 100% of drilling costs. Emerald has the right to co-fund under the agreement to increase its interest in the program on a well by well basis.

The Company has also signed an MOU with P&J Resources Inc ("P&J"), to acquire a 25% interest in 50 gas wells located in the Magoffin County, Kentucky USA. The wells were drilled between 2004 and 2006 and have all produced gas, however due to capacity constraints and lack of infrastructure production has curtailed. In Wayne County West Virginia Emerald has entered into an MOU to acquire a 25% interest in the pipeline "tap" and associated equipment connected to the El Paso line. This is a strategic move ensuring Emerald always has access to the El Paso line. Emeralds 25% interest entitles the Company to receive a transmission fee for all gas passing through the "tap". In addition Emerald will acquire a 25% interest in P&J's 10 mile 10 inch gathering line in Wayne County West Virginia. This line provides the only access to El Paso's trunkline for the immediate area, so third party producers will have to use the line for a fee.

On 24 September 2008, Emerald announced that the Operator of the Greenbush Project has reached agreement to farm-out the project to Encore Operating LP. The terms of the contract include, Encore funding the drilling of a horizontal well from the Brekhus#2 well location to target the Bakken formation, Encore are to earn 75% by drilling Bakken well through to the tanks, with Greenbush partners being free carried for a 25% working interest after payout and Encore to reimburse Greenbush project partners for previous sunk costs in the project. Emerald will retain a free carried 3.75% working interest in the project and receive full reimbursement for its costs incurred in drilling, seismic and leasing on the project.

Apart from the events detailed above the company is not aware of any matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company or Consolidated Entity, the results of those operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

DIRECTORS DECLARATION

In the Directors' opinion:

a) the financial statements, notes and additional disclosures included in the Directors Report designated as audited, of the Company and of the Consolidated Entity are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

ii. complying with Accounting Standards, the *Corporations Regulations 2001*; 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; and

This declaration has been made after receiving the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2008.

This declaration is made in accordance with a resolution of the directors.

On behalf of the board

J. Hannaford
Executive Director - Finance
Perth
25 September 2008

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INDEPENDENT AUDIT REPORT

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Independent auditor's report to the members of Emerald Oil & Gas NL

Report on the Financial Report

We have audited the accompanying financial report of Emerald Oil & Gas NL, which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Auditor's Opinion

In our opinion:

1. the financial report of Emerald Oil & Gas NL is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Emerald Oil & Gas NL and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Emerald Oil & Gas NL for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

V. Tidy

V W Tidy
Partner
Perth
25 September 2008

VT:KG:EMERALDOILANDGAS:010

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SHAREHOLDER INFORMATION

1. *Shareholding*

The shareholder information set out below was applicable as at 31 August 2008

(a) Distribution of Share and Option Holdings as at 31 August 2008.

Size of Share Holding and Option Holdings	Number of Shareholders
1 - 1,000	299
1,001 - 5,000	127
5,001 - 10,000	346
10,001 - 100,000	584
100,001 and over	120
Total Shareholders and Option Holders	1,476

(b) Of the above total, 342 Ordinary Shareholders hold less than a marketable parcel.

(c) Substantial Shareholders

The substantial holders in the company are set below:

Ordinary Shareholder	Number Held	Percentage
ROTHERWOOD ENTPS PL	9,040,000	7.83%
ANZ NOM LTD	8,056,855	6.98%
KLIP PL	6,662,175	5.77%

(d) Voting Rights

The voting rights attached to the ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

2. The name of the Company Secretary is Mr Morgan Barron.

3. The address of the principal registered office in Australia is Level 2, 16 Altona Street, West Perth WA 6005, Telephone +61 8 9482 0510.

4. The register of securities is held at the principle registered office.

Details of exploration are included in the operations review.

Directors' interests in share capital are disclosed in the Directors Report.

EMERALD OIL & GAS NL
ACN: 009 795 046

TWENTY LARGEST SHAREHOLDERS

As at 31 August 2008

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
1. ROTHERWOOD ENTPS PL	9,040,000	7.83%
2. ANZ NOM LTD	8,056,855	6.98%
3. KLIP PL	6,662,175	5.77%
4. CHERYL PEARSE ENTPS PL	4,500,000	3.90%
5. ZADAR HLDGS PL	3,319,054	2.87%
6. DRUM GAGHAN PL	3,150,977	2.73%
7. GREATCITY PL	2,912,196	2.52%
8. DICK COOPER EXPL PL	2,819,054	2.44%
9. HSBC CUSTODY NOM AUST LTD	2,618,353	2.27%
10. BLACK ROBERT A + A C	2,400,000	2.08%
11. BEIRNE GREGORY V + J A	2,300,000	1.99%
12. GOULD GRAEME B + C M	2,000,000	1.73%
13. VISSER TERRY + HAFIDAH	1,950,000	1.69%
14. CASSIM SALIM	1,685,175	1.46%
15. CADEX PETROLEUM PL	1,447,795	1.25%
16. SONMIT PL	1,300,000	1.13%
17. HANNAFORD JOHN ANDREW	1,188,042	1.03%
18. HANNAFORD EMMA KATE	1,188,042	1.03%
19. CITICORP NOM PL	1,099,299	0.95%
20. BEIRNE WENDY FAY + P D	1,000,000	0.87%
TOTAL	60,637,017	52.51%

TOTAL ISSUED SHARES, as at 31 AUGUST 2008	115,481,534	

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