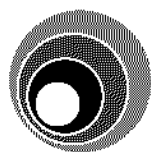


P R O S P E C T U S

MATRIX OIL NL
ACN 009 795 046

Proposed to be renamed



Emerald

OIL & GAS NL

For an offer to Eligible Shareholders on and subject to the terms and conditions outlined herein of up to approximately 416,666,667 Shares (pre-Consolidation) at an issue price of \$0.0012 each to raise up to approximately \$500,000.

AND

For an offer to the public of up to 15,000,000 Shares (post-Consolidation) at an issue price of 20 cents each together with one free attaching Option to raise up to \$3,000,000, with the Company reserving the right to accept Over-subscriptions of up to a further 2,500,000 Shares at 20 cents each and up to 2,500,000 free attaching Options to raise up to a further \$500,000.

AND

For an offer, subject to Completion occurring, of 1 free Option for each post-Consolidation Share Held by the Expanded Shareholders.

IMPORTANT INFORMATION This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. The securities offered by this Prospectus are of a speculative nature. Prospective investors should refer to the Risk Factors outlined in Section 13. The Shareholder Offer closes at 5.00p.m. (Perth time) on 29 April 2006 and the Public Offer closes at 5.00p.m. (Perth time) on 18 May 2006 or such other date as the Directors determine.

Corporate Directory

EXISTING DIRECTORS

Jeremy Shervington
Non Executive Chairman

Adam Rankine-Wilson
Non Executive Director

Alan Coulthard
Non Executive Director

PROPOSED DIRECTORS

Jeremy Shervington
Non Executive Chairman

John Hannaford
Executive Director - Finance

Robert Berven
Executive Director - Technical

COMPANY SECRETARY

John Hannaford

REGISTERED OFFICE

52 Ord Street
West Perth WA 6005

SOLICITOR TO THE ISSUE

Jeremy Shervington
52 Ord Street
West Perth WA 6005
Telephone: (+618) 9481 8760

USA INDEPENDENT GEOLOGIST

Marvin Ginzel
3022 Sunset Street
Houston, Texas 77005
USA

AUSTRALIAN INDEPENDENT GEOLOGIST

Mulready Consulting Services Pty Ltd
11 Norman Street
East Doncaster VIC 3109

SOLICITORS REPORTING ON USA INTERESTS

Allison & Shoemaker, L.L.P.
7887 San Felipe, Suite 200
Houston, Texas 77063

SOLICITOR REPORTING ON AUSTRALIAN INTERESTS

Jeremy Shervington
52 Ord Street
West Perth WA 6005

SPONSORING BROKER AND LEAD MANAGER

Montagu Stockbrokers Pty Ltd
Level 2 Citibank House
37 St George's Terrace
Perth WA 6000

ADVISER TO EMERALD GAS LIMITED

Ventnor Capital Pty Ltd
Level 1, 9 Havelock Street
West Perth WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St George's Tce
Perth WA 6000

ASX CODE

MXO*
*The Company's securities are currently suspended from trading on ASX.

WEBSITE

www.emeraldoilandgas.com

DISCLAIMER: The photographs depicted on the front cover, this page, pages 2, 4, 6, and 8 are not assets of the Company.

Investment Highlights

- Participation in three drilling programs in USA within three months of re-listing:
 - Hamlet project (N. Dakota – oil) March 06 (drilled)
 - Pandura project (S. Texas – gas) May 06^{*}
 - Sharon North project (Mississippi – gas) June 06^{*}
- USA prospects all located in historic prolific producing basins most with multiple objectives in each well, offsetting existing production.
- Potential for early cash flow from multi-well developments.
- Potential stock re-rating on drilling success and cashflow.
- Quality management team (Geology/Geophysics, Engineering, Operations, Finance, Legal)
- Project generation alliances with experienced USA based geological teams.
- Future growth through development cashflows, with upside from larger plays – Progresso (S. Texas), EP104 (Canning Basin, WA) and new projects.

^{*} Subject to rig availability to operator.

Investors should be aware of the risks associated with this investment. Risk Factors are set out in Section 13, page 84.

Key Statistics

SHAREHOLDER OFFER

Shareholder Offer price per Share	\$0.0012
Shares to be offered under this Prospectus (pre Consolidation [*])	416,666,667
Maximum amount to be raised under the Shareholder Offer	\$500,000

^{*} Approval is being sought at the General Meeting for the Consolidation. If the Shareholder Offer is fully subscribed the 416,666,667 Shareholder Offer Shares will as a result of the Consolidation comprise approximately 3,062,186 Shares.

If Completion does not occur the Consolidation will not occur. However, the issue of Shares pursuant to the Shareholder Offer will proceed even if Completion does not occur.

PUBLIC OFFER

Public Offer price per Share	20 cents
Shares to be offered under this Prospectus (post Consolidation)	15,000,000
Over-subscriptions up to	2,500,000
Attaching Options are to be issued on a one for one basis	
Maximum amount to be raised under the Public Offer including Over-subscriptions	\$3,500,000

OPTION OFFER

Attaching Options are, subject to Completion occurring, to be issued to the holders of post Consolidation Shareholder Offer Shares and other Expanded Shareholders (post Consolidation) on a one for one basis.

If Completion does not occur the issue of attaching Options to holders of Expanded Shares will not occur.

INITIAL MARKET CAPITALISATION

Shares on issue following the Offers (1)	45,600,000
Market capitalisation at the Public Offer price (1)	\$9,120,000

(1) Assuming Completion has occurred, the Shareholder Offer, the Public Offer and Over-subscriptions are fully subscribed and no Options have been exercised and no Partly Paid Shares are paid up. Further details of the Company's capital structure at Completion are set out in Section 10.



Background & Summary of Offers

The Company became insolvent and was placed in voluntary administration in 2002.

The Company is presently listed on ASX but its Shares are suspended from trading.

The Company has recently been released from the terms of a Deed of Company Arrangement as a result of which it has a new Board, its past debts and liabilities have been extinguished and it presently has approximately \$300,000 by way of net cash assets.

The Company currently has on issue 910 million ordinary fully paid Shares, 16,345,016 Partly Paid Shares (each with \$0.147 payable) and 90 million \$0.0013 options.

The Company has an obligation to offer certain of its existing "eligible" shareholders the opportunity to subscribe for up to \$500,000 in new Shares at a price of \$0.0012 per Share ("**Shareholder Offer**").

This Shareholder Offer will proceed regardless of the outcome of the acquisition of Emerald Gas described below.

In the absence of the acquisition of Emerald Gas, the Shareholder Offer will result in:

- an increase in the issued capital from 910 million Shares to up to 1,326,666,667 Shares; and
- an increase in the Company's cash of up to \$500,000 before costs of the issue.

In these circumstances (i.e. in the absence of the Emerald acquisition) the Company will remain listed but its Shares (including Shares issued under the Shareholder Offer) will not be eligible to be traded on ASX until such time as the Board is able to identify, negotiate and consummate a transaction that will satisfy the ASX requirements to achieve reinstatement to quotation of the Company's Shares.

Separately from the above the Company has negotiated the acquisition of Emerald Gas, a company with interests in and options over hydrocarbon exploration properties in USA and Australia.

The Emerald Gas acquisition is subject to the Company's shareholders' approval and will entail the following essential components:

- the acquisition of Emerald Gas involving an issue of 18.35 million Shares;
- a Public Offer of 15 million Shares at 20 cents to raise \$3 million (up to \$500,000 in Over-subscriptions may be accepted) each with a free attaching 1 for 1 20 cent option;
- Consolidation of the Company's existing fully paid Shares and any Shares issued under the above Shareholder Offer to between 7.5 million and 9.75 million Shares depending on the level of take-up of the Shareholder Offer. Examples of the impact of this consolidation on existing and eligible shareholders are given below;
- an issue of a free 1 for 1 20 cent option to the holders of the 7.5 million to 9.75 million abovementioned post consolidated Shares;
- as a condition, the satisfaction of all ASX requirements to enable the Company's Shares to be reinstated to quotation; and
- as a condition, a minimum raising of \$3 million in fresh capital out of the Shareholder Offer and the Public Offer described above.

For existing Shareholders, if the Consolidation occurs (which will only happen if the Emerald Gas acquisition completes) the 910 million Shares they hold will be consolidated to between 7.5 million Shares and approximately 6.69 million Shares depending on the level of take-up of the Shareholder Offer.

By way of illustration, the table below shows the different numbers of Shares on issue post Consolidation for different amounts raised under the Shareholder Offer.

	AMOUNT RAISED IN SHAREHOLDER OFFER				
	\$Nil	\$100,000	\$250,000	\$400,000	\$500,000
Existing Shares					
Pre Consolidation	910,000,000	910,000,000	910,000,000	910,000,000	910,000,000
Post Consolidation	7,500,000	7,283,054	7,018,256	6,806,702	6,687,814
New Shares					
Pre Consolidation	-	83,333,333	208,333,333	333,333,333	416,666,667
Post Consolidation	-	666,946	1,606,744	2,493,298	3,062,186
Post Consolidation price	-	\$ 0.150	\$ 0.156	\$0.160	\$0.163
Total Shares					
Pre consolidation	910,000,000	993,333,333	1,118,333,333	1,243,333,333	1,326,666,667
Consolidation factor	121.33	124.95	129.66	133.69	136.07
Post Consolidation	7,500,000	7,950,000	8,625,000	9,300,000	9,750,000

Following completion of the Shareholder Offer, the Public Offer, Completion of the acquisition of Emerald Gas and consolidation of the Shares the capital structure of the Company will be as follows:

Shares on issue following the Offers (1)	45,600,000
Market capitalisation at the Public Offer price (1)	\$9,120,000

(1) Assuming Completion has occurred, the Shareholder Offer, the Public Offer and Over-subscriptions are fully subscribed and no Options have been exercised and no Partly Paid Shares are paid up. Further details of the Company's capital structure at Completion are set out in Section 10.

Key Dates

The following key dates are indicative only and may be subject to change without notice:

EVENT	DAY
Lodgement of the Prospectus with ASIC	29 March 2006
Despatch of Notice of Meeting	Week commencing 3 April 2006
Public Offer opens	6 April 2006
Record Date to determine eligibility for the Shareholder Offer	6 April 2006
Shareholder Offer opens	12 April 2006
Despatch of Prospectus to relevant Shareholders	12 April 2006
Shareholder Offer closes	1 May 2006
General Meeting of Existing Shareholders	Week commencing 1 May 2006
Allotment/Despatch of holding statements Shares issued under the Shareholder Offer	Week commencing 1 May 2006 (unless extended by Agreement with ASX)
Public Offer closes	18 May 2006
Allotment/Despatch of holding statements for post - consolidation Public Offer Shares and other securities	Week Commencing 22 May 2006

These dates are indicative only and may be varied by the Directors at their discretion and without prior notice but only in accordance with the Corporations Act and the Listing Rules.



Contents

SECTION 1	Important Notice	5
SECTION 2	Letter from the Chairman	7
SECTION 3	Company	8
SECTION 4	Details of the Offers	12
SECTION 5	Projects	17
SECTION 6	Directors and Management	25
SECTION 7	USA Independent Geologist's Report	29
SECTION 8	Australian Independent Geologist's Report	55
SECTION 9	Financial Information	65
SECTION 10	Capital Structure	66
SECTION 11	Solicitor's Report on USA Interests	67
SECTION 12	Solicitor's Report on Australian Interests	70
SECTION 13	Risk Factors	84
SECTION 14	Shareholder Offer	87
SECTION 15	Additional Statutory and other Information	90
SECTION 16	Glossary of Defined Terms	103
SECTION 17	Directors Authorisation	108
	Application Forms	109

Important Notice

This Prospectus is dated 29 March 2006 and was lodged with the Australian Securities & Investments Commission on 29 March 2006.

Neither the ASIC nor ASX nor any of their respective officers takes any responsibility for the contents of this Prospectus.

No Shares or Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Shares and Options issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

Application will be made to ASX within 7 days from the date of this Prospectus for the Shares and Options to be issued under this Prospectus to be admitted to quotation.

Applications for Shares or Options can only be made on an Application Form.

No person is authorised to give any information or to make any representation in connection with the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares or Options in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

Before deciding whether to apply for Shares or Options offered by this Prospectus Applicants should carefully read this Prospectus in its entirety and where necessary consult their professional advisers for advice in order to make an informed assessment. In particular, in considering the prospects of the Company, Applicants should consider the risk factors that could affect the financial performance of the Company. Investors should carefully consider these factors in light of their personal circumstances (including financial and taxation issues). The Company is undertaking exploration and mining development and the risks are therefore significant.

Share prices can fall as well as rise and the Shares and Options offered by this Prospectus should be considered speculative. Refer to Section 13 for details relating to risk factors.

Certain words and terms used in this Prospectus have defined meanings which appear in Section 16.



Privacy Disclosure

The Company collects information about each Applicant provided on an Application Form for the purposes of processing Application Forms, and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the security holder (including name, address and details of securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

Under the Privacy Act, an Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Prospectus Availability

This Prospectus will be issued in paper form and as an Electronic Prospectus which may be viewed online at www.emeraldoilandgas.com. The Offers are available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company directly by telephone on (08) 9482 0510.

Letter from the Chairman

Dear Investor,

On behalf of the Directors of the Company (proposed to be renamed Emerald Oil & Gas NL), I invite you by this Prospectus, as an Eligible Shareholder or as a prospective investor, to consider the Offers of Shares and Options set out in this document.

On 15 December 2005, Shareholders approved the Recapitalisation of the Company, and subsequently the Company came out of administration when the Administrators retired and the Deed of Company Arrangement terminated. Management of the Company has been handed to the newly appointed Board.

The newly appointed Board have identified an opportunity for the Company which involves the acquisition of Emerald Gas Limited, an Australian unlisted company which has options over and interests in a number of oil and gas projects located in the USA and also in Australia. The acquisition of Emerald Gas Limited is subject to Shareholder approval at a General Meeting to be held in May 2006. At this meeting, approval will also be sought to change the name of the Company to Emerald Oil & Gas NL. If Shareholders approve the acquisition of Emerald Gas Limited, the Company will focus its activities in the USA energy sector.

USA Gas Market

In the USA, the shortfall of gas supply has become particularly acute in recent years resulting in high prices ranging from US\$7 - \$12/mcf, three to four times the domestic gas price in Australia. In recent months spot gas prices have been as high as US\$15/mcf. Your Directors consider that these high prices, coupled with abundant infrastructure and close proximity to markets make the economics of even modest-sized onshore development projects very attractive.

Emerald Gas - USA projects

Emerald Gas's exploration strategy in the USA is centred in South Texas and consists of low risk exploration/development plays offering near term cashflow as well as alliances with local operators to deliver a number of new project opportunities. Emerald Gas has entered into agreements with Daytona Energy Corp., ("Daytona") a TSX Venture-listed oil and gas exploration company headquartered in Houston, Texas under which Daytona has granted Emerald Gas options to participate in three gas projects two of which are to be drilled early in 2006. Daytona and Emerald Gas have agreed to establish an exploration joint venture to generate new exploration projects in South Texas.

In North Dakota, Emerald Gas has entered into an agreement with Golden Eye Resources LLC to participate in the Hamlet oil exploration project. The first well Ness # 1-8 drilled in early March, 2006 had oil shows but tested salt water. However, other drillable targets still exist on the acreage under lease. Golden Eye Resources LLC as operator will make a future drilling recommendation following complete assessment of the recently acquired drill data from the Ness # 1-8 well.

The Directors believe these opportunities give investors a low cost entry to the USA gas market with a spread of conventional oil and gas exploration projects with at least four projects being drilled within the first 12 months. Future project opportunities with Daytona and through other existing relationships will deliver further ground floor opportunities in this booming sector.

Emerald Gas - Australian projects

In Australia, Emerald Gas has entered into an agreement to farm-in to an 18.75% working interest in the EP104 oil and gas project, onshore Canning Basin in Western Australia, where the Stokes Bay # 1 appraisal well is targeted to be completed in the second half of 2006.

The Offers

The Company will acquire Emerald Gas by the issue on Completion of 17,600,000 Shares to the Vendors, and the issue of 750,000 Shares to Daytona in connection with Emerald Gas exercising the Participation Interests Options.

The funds raised from the Offers of Shares made pursuant to this Prospectus will, subject to Completion occurring, be used by the Company in its efforts to meet its exploration objectives in respect of Emerald Gas' projects and for working capital. The Public Offer provides potential investors with an opportunity, subject to the terms and conditions of this Prospectus, to acquire a minimum parcel of 10,000 post Consolidation Shares. The Shareholder Offer provides Eligible Shareholders with the opportunity to acquire New Shares (pre Consolidation).

Under the Shareholder Offer, each Eligible Shareholder will be offered a proportionate part of the 416,666,667 Shares offered at an issue price of \$0.0012 per Share (pre Consolidation). Those Eligible Shareholders who by taking up the Shareholder Offer would subscribe for less than \$3,000, will be required to top up their subscription to at least \$3,000. That is, the relevant Eligible Shareholder will be entitled to subscribe for such number of extra Shares as will bring its Application Money to \$3,000. Further details of this requirement are set out in Section 4.

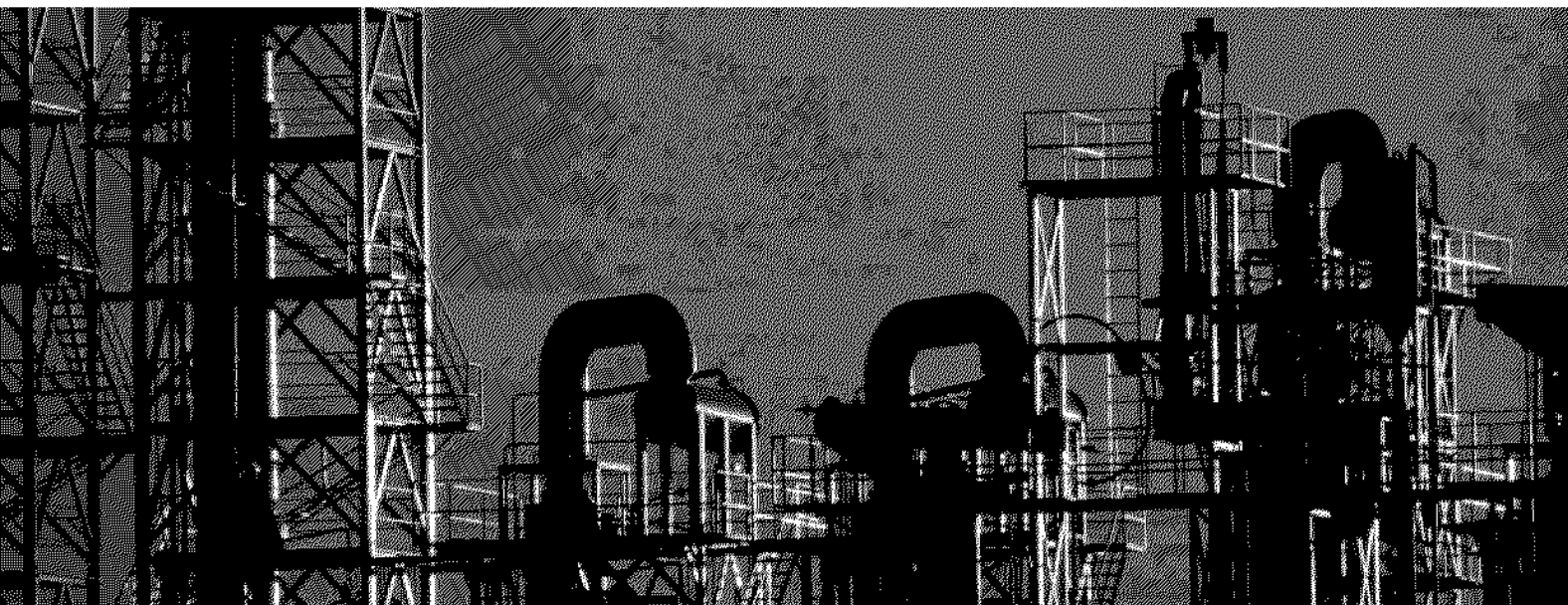
Eligible Shareholders should note that if Completion does not occur the Shareholder Offer will still proceed – please refer to the "Background & Summary of Offers" Section on page 2 for further details.

The information in this Prospectus is important and should be read with care. Whilst the prospects are exciting, any investment of this nature should be considered speculative, and prospective investors should read Section 13 "Risk Factors".

On behalf of the Directors, I commend this investment to you and look forward to welcoming your subscriptions under this Prospectus.



Yours sincerely,
Jeremy Shervington
 Chairman



Company

3.1 Background

In November 2001, the Company began commercial oil production from the Langsa Offshore Technical Assistance Contract in Indonesia (in which Matrix held a 90% working interest). However, major operational difficulties shortly thereafter resulted in the eventual shutdown of the two sub-sea wells and termination of operations in October 2002. The Company commenced legal proceedings in the United Kingdom against certain contractors for alleged negligence when opening the wells caused mechanical failure and their subsequent shutdown.

In October 2002, the then Directors of the Company requested that its Shares be suspended from ASX trading, and placed the Company into voluntary administration. At a subsequent meeting of the Company's creditors on 12 November 2002, the creditors resolved that the Company should enter into a deed of company arrangement ("DOCA"). On 23 August 2005, a meeting of creditors approved the variation of the DOCA to incorporate the Recapitalisation of the Company as referred to in more detail below.

On 1 August 2005, the Deed Administrators entered into an agreement with Mr Jeremy Shervington and Mr Adam Rankine-Wilson to effect the Recapitalisation of the Company.

Completion of the formalities required to effect the Recapitalisation occurred on 15 December 2005 when Shareholders voted in favour of various resolutions relating to the Recapitalisation at the 15 December General Meeting. The Recapitalisation has resulted in the restructure of the Company's capital base, the provision of working capital for the Company, termination of the DOCA in relation to the Company, and forgiveness of all then existing debts of the Company.

As a result of the Recapitalisation the financial position and capital structure of the Company as at the date of this Prospectus is as outlined in the Section "Background & Summary of Offers" on page 2 of this Prospectus.

3.2 Investment Approach

The investment objective of the new Board was to identify an opportunity that would enhance long term shareholder value.

The proposed acquisition of Emerald Gas represents the Company's initial step to implementing this objective.

Emerald Gas has secured interests in four drillable prospects in proven hydrocarbon producing regions of the USA. By participating in drilling these projects, three to be drilled within the first half of 2006, and establishing a new project pipeline through project generation alliances, the Company seeks to move quickly to producer status with a portfolio of several potential development projects. The Directors believe the acquisition of Emerald Gas will give investors a broad exposure to the high energy price environment in the USA whilst reducing exploration risk through diversification.

The Company aims to minimise investment risk by:

- initially taking modest positions in low risk onshore exploration projects with reasonable drilling costs;
- partnering with established local operators;
- taking a ground floor interest in new projects through exploration alliances;
- quickly advancing to producer status to earn revenues as a means of protecting the financial position of the company and financing future exploration and production and development activities.

Readers should familiarise themselves with Section 13 in relation to the risks of investing in the Company.

Emerald Gas's projects are described in detail in Sections 5, 7 and 8.

3.3 Acquisition of Emerald Gas

Pursuant to the Implementation Agreement between the Company and Emerald Gas, the Company agreed to acquire Emerald Gas and the parties to the Implementation Agreement agreed to implement the various steps required in order to effect Completion.

The principal features of the Transaction the subject of the Implementation Agreement are included below:

- (a) **Issue of Shares to the Vendors:** The issue of 17.6 million Shares to the Vendors as consideration for the acquisition of Emerald Gas Shares.
- (b) **Consolidation of Capital:** Consolidation of the existing issued capital of the Company and any Shares issued pursuant to the Shareholder Offer to between 7,500,000 and 9,750,000 Shares and between 134,712 and 120,124 Partly Paid Shares.
- (c) **Name Change:** The Company will change its name to "Emerald Oil & Gas NL".
- (d) **Prospectus Issue:** The offer under a Prospectus of:
 - (i) **the Shareholder Offer** comprising an offer of up to 416,666,667 pre Consolidation Shares to Eligible Shareholders at a price of \$0.0012 each to raise up to \$500,000 (the Shareholder Offer was previously approved by Shareholders at the 15 December Meeting); and
 - (ii) **the Public Offer** comprising an offer of up to 15,000,000 Shares to the public at a price of \$0.20 per Share to raise up to \$3,000,000, with over subscriptions of up to 2,500,000 Shares to raise up to a further \$500,000.
- (e) **Option Issue:** the issue of one free Option for every Share held to the Cash Subscribers and the Expanded Shareholders (post Consolidation);
- (f) **Daytona Issue:** the issue of up to 750,000 Shares to Daytona in accordance with Emerald Gas's exercise of the Participation Interests Options;
- (g) **Issue of the Management Options:** the issue of the Managements Options to the Company's Management (including Board members) or their respective nominees; and
- (h) **Issue of the Ventnor Options:** the issue of the Ventnor Options to Ventnor Capital.

Completion under the Implementation Agreement is conditional on the passage of each of the Resolutions at the General Meeting. Completion is also conditional upon the satisfaction of the ASX Requirements.

As Shareholders have already approved the Shareholder Offer, it is not conditional upon any event or occurrence and the Shareholder Offer will proceed in any event.

3.4 Corporate Objectives

In pursuing the Company's principal objective to become a successful oil and gas exploration and production company with operations based in the USA and Western Australia, the Board is committed to:

- (a) applying the Company's funds in an efficient manner with a view to providing positive and sustainable returns to Shareholders;
- (b) adopting high standards of occupational health and safety, environmental management and ethics; and
- (c) recognising and honouring all legal obligations to non-Shareholder stakeholders including employees, clients/customers, traditional owners and the community as a whole.

3.5 Purpose of the Offer

Pursuant to this Prospectus, the Company is making Offers comprising:

- (a) the Shareholder Offer to Eligible Shareholders (pre Consolidation);
- (b) a Public Offer to investors (post Consolidation); and
- (c) an Option Offer, being the offer of 1 free Option for every 1 (post Consolidation) Share held by the subscribers to the Public Offer and by the Expanded Shareholders.

The issue of Shares pursuant to the Public Offer, the Option Offer and Completion are subject to and conditional upon Shareholders approving the relevant resolutions being put at a General Meeting of Shareholders to be held in May 2006.

The Shareholder Offer will proceed regardless of the outcome of the Public Offer and regardless of whether Completion occurs.

If Completion does not occur, the retained funds raised from the Shareholder Offers will, in addition to the Company's existing funds, be used to seek out and assess investment opportunities for the Company. Surplus cash from time to time will be deposited with the Company's bankers in interest bearing accounts. If an investment opportunity is consummated then part of the funds raised under this Prospectus may be expended in connection with the relevant acquisition, subject to all regulatory approvals being obtained.

For full details of the implications of the Shareholder Offer only proceeding, refer to Section 14.

Full details of each of the Offers are set out in Section 4.

3.6 Expenditure Plans

The existing cash of the Company and the additional funds raised from the Offers will, after payment of the Transaction Costs, be broadly applied over the two years from Completion as follows:

PROJECT	PROGRAM	TOTAL (A\$)
USA Projects		
Hamlet project (N Dakota – oil, 18.75%)	1st well drilled	paid
Pandura (S.Texas – gas 15%) (1)	1st well drill	390,000
Progresso (S.Texas – gas 10%) (3)	1st well drill	360,000
Sharon North (Mississippi – gas, 25%)	1st well drill	200,000
Project generation	(4)	200,000
Canning Basin WA		
EP104 (25%)	Geological and geophysical	100,000
Corporate, Admin & Working Capital	USA & Australia	1,727,000
TOTAL		2,977,000

Notes to table:

1. Costs shown above are estimates only. Actual costs will be determined by actual project circumstances, the budget determined by the operator of the project, the level of interest taken up by Emerald Gas and whether Emerald Gas retains its paying interest through drilling programs.

2. All well costs are shown as dry-hole costs only. Should wells be successful, then additional costs of completion will be incurred. Should successful wells become development projects then additional production wells will be required. These may require further fund-raising depending on the scale of the development projects, and the availability of cash flow from possible production. The budget as set out above will change in the case of completion costs and development wells.

Estimated completion costs for Emerald Gas's share of each of the wells above are:

Hamlet	110,000
Pandura	189,000
Sharon	110,000
Progresso	120,000
Total	\$529,000

3. Estimated costs for the Progresso Project assume a pooled acreage agreement with a third party for the first well with Emerald Gas's interest hypothetically reducing to approximately a 10% working interest.
4. Cost budgets for the AMI agreement are hypothetical at this stage and will be determined by new project opportunities generated by Daytona and Emerald Gas under the AMI agreement. Should projects of significant size and scale be taken up then further funding will be required.
5. The above assumes the Company's net cash at Completion is \$2,976,990 i.e that no funds are raised from the Shareholder Offer, or through Over-subscriptions. Additional amounts raised will be added to working capital and directed to completion costs and development programs depending on the success of drilling programs.

Please refer to the Independent Geologists' Reports for a further breakdown of the proposed expenditure program of the Company.

3.7 Effect of the Capital Raising on the Company

Following the termination of the DOCA, all existing debts against the Company have been released, extinguished and barred.

During the Administration of the Company, audited annual accounts have not been prepared. The Directors have prepared an opening statement of financial position as at DOCA Completion and a proforma statement of financial position as at DOCA Completion incorporating:

- the issue of Shares pursuant to this Prospectus; and
- the expenses of the Issue.

This financial information is contained in Section 9 of this Prospectus.

Information on the Company's capital structure and the effect of the Issue on the Company's capital structure is contained in Section 10 of this Prospectus.

For details of the implications of the Shareholder Offers only proceeding, refer to Section 14.

3.8 Working Capital

On completion of the Offers, the Directors believe that the Company will have sufficient working capital to carry out its stated objectives.

In the event that only the Shareholder Offers proceed, the Directors believe that the Company will have sufficient working capital to carry out its stated objective of assessing investment opportunities for the Company. For further details, refer to Section 14.

3.9 Financial Forecasts

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the proposed operations of the Company being petroleum exploration are inherently uncertain. Accordingly, any forecast or projected information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable forecast or projection.

Details of the Offers

4.1 The Offers

The Offers under this Prospectus consist of:

- (a) the Shareholder Offer to Pre-Existing Fully Paid Shareholders of up to 416,666,667 Shares (before the Consolidation) at an issue price of \$0.0012 per Share to raise up to \$500,000 before the costs of the Issue; and
- (b) the Public Offer which is open to public investors of up to 15,000,000 Shares at an issue price of 20 cents per Share together with one free attaching Option (after the Consolidation) to raise up to \$3,000,000 before the costs of the Issue. Over-subscriptions of up to 2,500,000 Shares each with a free attaching Option may be accepted to raise up to a further \$500,000.
- (c) the Offer of the Options that, subject to Completion occurring, will be issued free to the Expanded Shareholders on the basis of 1 Option for each Expanded Share held.

The Offers other than the Shareholder Offer are subject to and conditional upon Shareholders approving the Resolutions being put at the General Meeting of Shareholders to be held in May 2006.

The Shares offered under this Prospectus will be issued fully paid and will rank equally with Existing Shares. A summary of the rights and liabilities attaching to Shares is set out in Section 15.6. A summary of the rights and liabilities attaching to the Options offered under this Prospectus is also set out in Section 15.9.

4.2 Shareholder Offer

Only Eligible Shareholders will be entitled to participate in the Shareholder Offer. The number of Shares which each Eligible Shareholder is entitled to apply for is shown on its accompanying Shareholder Offer Application Form. Fractional entitlements will be ignored.

The Company invites Eligible Shareholders to apply for up to 416,666,667 Shares (before the Consolidation) at an issue price of \$0.0012 per Share.

Subject to the following qualifications Eligible Shareholders will be offered a "pro-rata" Share of the Shareholder Offer Shares based on their respective Shareholdings.

In the case where the Application Monies to be paid by an Eligible Shareholder pursuant to the Shareholder Offer pursuant to its notional "pro-rata entitlement" would be less than \$3,000, the relevant Eligible Shareholder must, if it wishes to accept the Offer, also subscribe for such number of extra Shares as will bring its Application Monies to \$3,000. That is, at the issue price of \$0.0012 per Share, an Eligible Shareholder must subscribe for at least 2,500,000 Shares. This requirement is subject to the following qualification.

To the extent that the number of acceptances received under the Prospectus from those Eligible Shareholders who are required to subscribe for extra Shares to bring their Application Monies to the minimum \$3,000 subscription level is such that the Company would be issuing in excess of 416,666,667 Shares under the Shareholder Offer pursuant to this Prospectus, the \$3,000 minimum Application amount will be reduced accordingly, and to the extent necessary, equally, in respect of each of the relevant Applicants under the Shareholder Offer.

The Shareholder Offer is not subject to approval at the General Meeting and is not subject to Completion occurring.

Eligible Shareholders who wish to subscribe for Shares under the Shareholder Offer must make an Application on the Shareholder Offer Application Form enclosed with this Prospectus.

4.3 Public Offer

Pursuant to this Prospectus, the Company invites public investors to subscribe for up to 15,000,000 Shares post Consolidation at an issue price of 20 cents each to raise up to \$3,000,000.

Investors who wish to apply for Shares in the Public Offer, should complete the Public Offer Application Form enclosed with this Prospectus.

The Public Offer is for a maximum of 17,500,000 Shares (including Over-subscriptions of 2,500,000 Shares). Applicants may apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$2,000. Applicants requiring additional Shares must apply for Shares in multiples of 1,000 Shares (equivalent to \$200) thereafter.

A free attaching Option will be issued with each Share issued under the Public Offer.

4.4 Options Offer

Subject to Completion occurring 1 free Option will be issued to the Expanded Shareholders for each (post Consolidation) Share held on the relevant record date.

4.5 Lodgment of Shareholder Offer Application Form

To apply for Shares pursuant to the Shareholder Offer made under this Prospectus, the **blue Shareholder Offer Application Form** accompanying this Prospectus must be completed in accordance with the instructions accompanying it and lodged at the following address, on or before the Shareholder Offer Closing Date:

Montagu Stockbrokers Pty Ltd
PO Box 25005, St George's Terrace
Perth WA 6831

Applications must be accompanied by payment in full in Australian currency of \$0.0012 for each pre Consolidation Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank account and should be made payable to "**Matrix Oil NL – Share Issue Account**" and crossed "Not Negotiable".

No brokerage or stamp duty is payable by Eligible Shareholders in respect of their Application for Shares under this Prospectus. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

The number of Shares which each Eligible Shareholder is entitled to apply for is shown on its accompanying Shareholder Offer Application Form. Fractional entitlements will be ignored.

In the case where the Application Monies to be paid by an Eligible Shareholder are less than \$3,000, the relevant Eligible Shareholder must also subscribe for such number of extra Shares as will bring its Application Monies to \$3,000. That is, at the issue price of \$0.0012 per Share, an Eligible Shareholder must subscribe for at least 2,500,000 Shares. This requirement is subject to the qualification outlined in Section 4.2 above.

A duly completed and lodged Shareholder Offer Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for pursuant to the Shareholder Offer Application Form as the case may be.

Shareholder Offer Application Forms must not be circulated to Existing Shareholders unless accompanied by a copy of this Prospectus.

4.6 Lodgment of Public Offer Application Form

To apply for Shares offered pursuant to the Public Offer made under this Prospectus, the **white Public Offer Application Form** accompanying this Prospectus must be completed in accordance with the instructions accompanying it and lodged at the following address, on or before the Public Offer Closing Date:

Montagu Stockbrokers Pty Ltd
PO Box 25005, St George's Terrace
Perth WA 6831

Applications must be accompanied by payment in full in Australian currency of 20 cents for each post Consolidation Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank account and should be made payable to "**Matrix Oil NL – Share Issue Account**" and crossed "Not Negotiable".

No brokerage or stamp duty is payable by Applicants in respect of their Application for Shares under this Prospectus. The amount payable on Application will not vary during the period of the Offer and no further amount is payable on allotment.

Applicants under the Public Offer must apply for a minimum of 10,000 Shares representing a minimum investment of \$2,000. Applicants requiring additional Shares must apply for additional Shares in multiples of 1,000 thereafter.

A duly completed and lodged Public Offer Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for pursuant to the Public Offer Application Form as the case may be.

Public Offer Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

4.7 Application Forms

A completed and lodged Application Form together with applicable Application Monies lodged with the Company constitutes a binding acceptance by an Applicant for the number of Shares and Options specified in the Application Form. The Application Form does not need to be signed to be a binding acceptance of the Offer.

If the Application Form is not completed correctly, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe the Application Form is final.

4.8 Minimum Subscription

There is no minimum subscription in respect of the Shareholder Offer.

The minimum subscription that must be raised under this Prospectus before Shares and Options will be issued pursuant to the Public Offer is \$3 million. Any funds that are raised pursuant to the Shareholder Offer will be included in calculating the \$3 million minimum subscription in respect of the Public Offer. For further details of the conditions precedent to the Offers, refer to Section 4.15.

4.9 Allotments

The acceptance of Applications under the Public Offer and the allocation of Shares and Options are at the discretion of the Directors of the Company. The Company reserves the right to allot to an Applicant a lesser number of Shares than the number for which the Applicant applies or to reject an Application. If the number of Shares allotted is fewer than the number applied for, surplus Application Money will be refunded without interest.

Application Money received under the Public Offer will be held in trust in a subscription account until allotment or, where applicable, it is repaid to the Applicants. The subscription account will be established and kept by the Company on behalf of the Applicants.

All interest earned on all Application Monies (including those which do not result in allotment of Shares) will be retained by the Company.

4.10 Sponsoring Broker and Lead Manager

Montagu Stockbrokers Pty Ltd has agreed to act as Sponsoring Broker and Lead Manager for the Offers for which they will receive a corporate advisory fee of \$90,000 and 5% in respect of funds raised under the Public Offer. Further details of the fees to be paid to Montagu Stockbrokers Pty Ltd are summarised in Section 15.

The Offers are not underwritten.

4.11 ASX Quotation

Application will be made to ASX no later than 7 days after the date of this Prospectus for the quotation of the Shares and Options offered by this Prospectus to be admitted to quotation. If Shares and Options are not admitted to quotation within three months after the date of this Prospectus, the Company will not allot or issue any Shares or Options, and will return all Application Monies to Applicants as soon as practicable without interest.

The fact that ASX may admit the Shares and the Options to quotation is not to be taken in any way as an indication of the merits of the Offers or the Shares or the Options offered by this Prospectus.

Trading in the Shares of Matrix has been suspended since 16 October 2002 following the appointment of Mr Vincent Smith and Mr Bryan Hughes as joint and several administrators of Matrix.

The proposed acquisition of Emerald Gas triggers the operation of Listing Rule 11 (which deals with changes in the activities of the Company). Accordingly, by convening the General Meeting of Shareholders of the Company, lodging this Prospectus and completing the Public Offers pursuant to this Prospectus, the Company proposes to satisfy certain of the requirements of Chapters 11, 1 and 2 of the Listing Rules. Unless all of the ASX Requirements are met, no Shares or Options will be issued pursuant to this Prospectus other than Shares pursuant to the Shareholder Offer.

Any quotation of the Company's securities will be subject to Completion occurring and the Company satisfying the ASX Requirements including the applicable provisions of Chapters 1, 2 & 11 of the Listing Rules.

One of the requirements of Chapter 1 of the Listing Rules is that a Company must only have options on issue which have an exercise price of at least 20 cents. In respect of the Existing Director Options, a waiver from that requirement will be

sought from ASX as the exercise price will adjust to approximately \$0.1768 each as a result of the Consolidation (assuming the Shareholder Offer is fully subscribed).

If Completion does not occur, the Shareholder Offer will proceed and in these circumstances the Company will remain listed but its Shares (including Shares issued under the Shareholder Offer) will not be eligible to be traded on ASX until such time as the Board is able to identify, negotiate and consummate a transaction that will satisfy the ASX Requirements to achieve reinstatement to quotation of the Company's Shares. For further details please see Section 14.

The ASX takes no responsibility for the content of this Prospectus.

4.12 CHESS

On the admission to quotation on ASX of the securities offered under this Prospectus, the Company will participate in CHESS, operated by ASTC, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors. Instead, shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored, the ASTC will send them a CHESS statement.

The CHESS statement will set out the number of securities allotted to each holder under the Prospectus, give details of the shareholder's holder identification number and give the participant identification number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be dispatched by the share registry and will contain the number of securities allotted under the Prospectus and the shareholder's security holder reference number.

A CHESS statement or Issuer Sponsored Statement will routinely be sent to shareholders at the end of any calendar month during which the balance of their holding changes. A shareholder may request a statement at any other time, however a charge may be made for additional statements.

4.13 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, the Options or the Offers, or otherwise to permit a public offering of the Shares or Options in any jurisdiction outside Australia.

The Offers pursuant to an Electronic Prospectus are only available to persons receiving an electronic version of this Prospectus within Australia.

4.14 Escrow Provisions

The Shares issued to the Vendors and Shares and Options issued pursuant to this Prospectus other than pursuant to the Public Offers may be subject to the restricted securities provisions of the Listing Rules. Shares and Options held by Directors, and Existing Shares and Partly Paid Shares may also be subject to the restricted securities provisions of the Listing Rules. Accordingly, a proportion of such securities, to be determined by ASX, may be required to be held in escrow for a period of time, as determined by ASX.

Any Applicant for such Shares and such Options will by lodging their Applications acknowledge and agree to be bound by any such restrictions and to execute whatever documents ASX may require for that purpose.

4.15 Conditions Precedent to the Offers

The Shareholder Offer is not conditional on any event or occurrence other than the conditions in clause 4.11 and subject thereto the Shareholder Offer will proceed in any event.

The Public Offer of Shares and the Option Issues pursuant to this Prospectus are subject to:

- (a) the passage of the Resolutions;
- (b) the satisfaction of the ASX Requirements;
- (c) the raising of a minimum of \$3,000,000 under this Prospectus (inclusive of funds raised under the Shareholder Offer); and
- (d) Completion occurring;
- (e) the obtaining of any extensions of the dates by which the requotation of the Company's Shares is required to occur under certain of the material contracts.

No Shares and Options will be issued under the Public Offer and no other Options will be issued unless all of the above conditions are fulfilled.

If the conditions described in Section 4.11 are not satisfied within 3 months after the date of this Prospectus or if all of the other conditions above are not satisfied within four months after the date of this Prospectus then the Directors will return all Application Monies to Applicants for the Public Offer without interest or issue a supplementary or replacement prospectus and allow Applicants for the Public Offer one month to withdraw their Application and be repaid their Application Monies.

4.16 Enquiries in Relation to the Offers

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

4.17 Market Prices of Shares on ASX

The Shares have been suspended from quotation on the ASX since 16 October 2002.

The last traded price of Existing Shares on ASX at 15 October 2002 was \$0.044. However, following that time the Company was placed into voluntary administration. Following the approval of the Recapitalisation at the 15 December Meeting, securities in the Company were issued to the Secured Creditors, and others at a price of \$0.001 per Share. The Directors are unaware of any other trading in the Company's securities as at the date of this Prospectus.

4.18 Risk Factors

An investment in securities pursuant to this Prospectus should be regarded as speculative. In addition to the general risks applicable to all investments in securities there are specific risks associated with an investment in the Company which are set out in Section 13.

4.19 Taxation Implications

The Directors do not consider that it is appropriate to give investors or Existing Shareholders advice regarding the taxation consequences of subscribing for securities under this Prospectus.

The Company, its advisers, and its officers do not accept any responsibility or liability for any such taxation consequences to investors or Existing Shareholders. As a result, investors and Existing Shareholders should consult their professional tax advisers in connection with subscribing for Shares and Options under this Prospectus.

4.20 Withdrawal of Prospectus

The Directors may at any time decide to withdraw this Prospectus, in which case the Company will repay, as soon as practicable and without interest, all Application Monies received pursuant to this Prospectus.

Projects

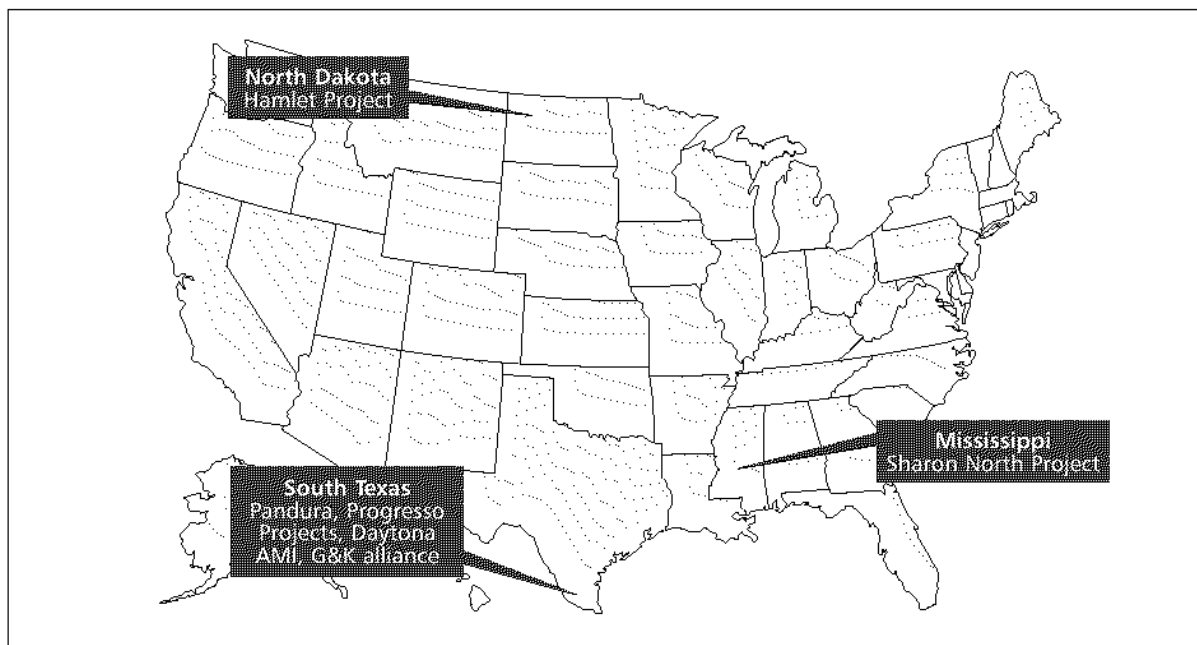


Figure 5-1. USA project location map showing principle areas of activity.

5.1 USA Energy Market

The United States of America is currently the world's largest consumer and is a net importer of energy. In 2004, the USA consumed more than 22 trillion cubic feet of gas. According to the Annual Energy Outlook 2005 report released in January 2005, natural gas consumption is expected to increase in the coming years much of which will be for electric power generation.

South Texas

The state of Texas has historically been a significant source of oil and gas. Present day gas reserves for the entire state of Texas are estimated at 50 Tcf in onshore provinces and an additional 4.1 Tcf offshore Texas in Federal waters. Yearly production is approximately 4.8 Tcf per year. Texas has approximately ten and one-half years of remaining proven gas reserves.

Oil reserves are approximately 5.6 billion barrels with yearly production of onshore oil now approximately 350 million barrels; this translates to approximately 15 years of proven oil reserves at the present rate of production. The USA imports over half of its daily oil requirement, and based on present levels of consumption, the amount of oil imported by the USA will only grow. Similarly, production of natural gas in the USA is beginning to fall behind demand and imported LNG is augmenting the domestic natural gas supply.

5.2 USA Prospects

Emerald Gas has partnered with Daytona Energy Corp. in South Texas. Daytona is a TSX Venture Exchange listed exploration and production company based in Houston. Mr Robert Berven, a current director of Emerald Gas and a Proposed Director of the Company was until recently a Non Executive Director of Daytona. Daytona has interests in several oil and gas projects in Texas and Mississippi. Emerald Gas regards this alliance with Daytona as being a central driver for project generation in the USA and in particular the South Texas region.

Emerald Gas's strategy is to minimise exploration risk by:

- initially taking meaningful positions in projects with modest drilling costs;
- partnering with established local companies;
- taking a ground floor interest in new projects through exploration alliances;
- quickly advancing to producer status to earn revenues as a means of protecting the financial position of the company and financing future exploration and production and development activities.

Emerald Gas has entered into agreements with Daytona whereby Emerald Gas has been granted:

- an option to farm in to a 10-15% working interest in the Pandura Gas Project in Webb County Texas, by paying 1.5 times the pro rata interest of the costs of the first well. Emerald Gas must elect to take up its option 30 days before spud date, should Daytona plan to drill the well prior to the end of the option exercise period;
- an option to farm in to 30% of Daytona’s working interest in the Progresso Gas project in Hidalgo County Texas, by paying 45% of Daytona’s costs of the first well; and
- an option to farm in to a 25% working interest in the Sharon North gas project in Jasper County, Mississippi, by paying 50% of the costs of the first well.

For Emerald Gas to exercise each of the above Participation Interest Options, the Company has agreed to issue Daytona 250,000 Shares upon Completion of the Transaction for each farm-in option exercised, being a total of 750,000 Shares. Further details of the terms of each of the above agreements are set out in Section 15.4.

Pursuant to a Memorandum of Understanding with Daytona, Emerald Gas has agreed to an Area of Mutual Interest Joint Venture in South Texas with Daytona, whereby both parties will each contribute 50% costs to generate oil and gas prospects over an initial 3 year period. Under this Memorandum of Understanding, Daytona has commenced lease checks over the Area 8 prospect in Starr County, South Texas which will be the first project taken up under this joint venture (Emerald Gas having a 50% working interest.) Further details of the terms of this agreement are set out in Section 15.4.

Emerald Gas has also entered into an option and participation agreement with Golden Eye Resources LLC, a Denver based operator, to participate in an 18.75% working interest in the Hamlet oil project Renville County North Dakota, by paying 25% of the costs of the first well. Emerald Gas has paid US\$18,750 being its share of land, seismic and prospect fees to exercise its option under the agreement and has advanced US\$103,000 being its share of the dry hole costs of the first well, to be drilled in early March. Further details of the terms of this agreement are set out in Section 15.4.

Pandura Prospect, Webb County, Texas – Emerald Gas – 10-15% WI

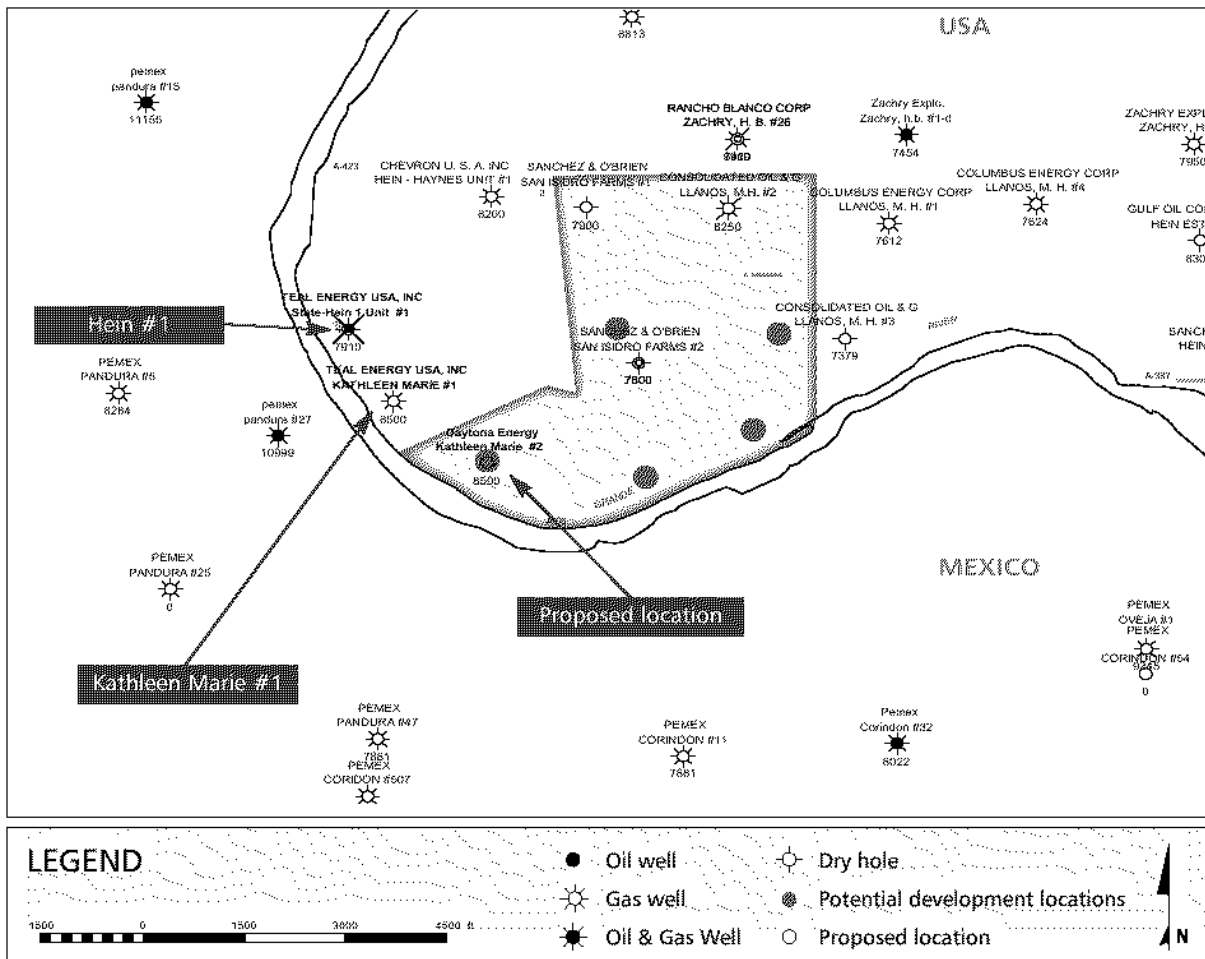


Figure 5-2. Pandura Prospect location, Webb County, Texas

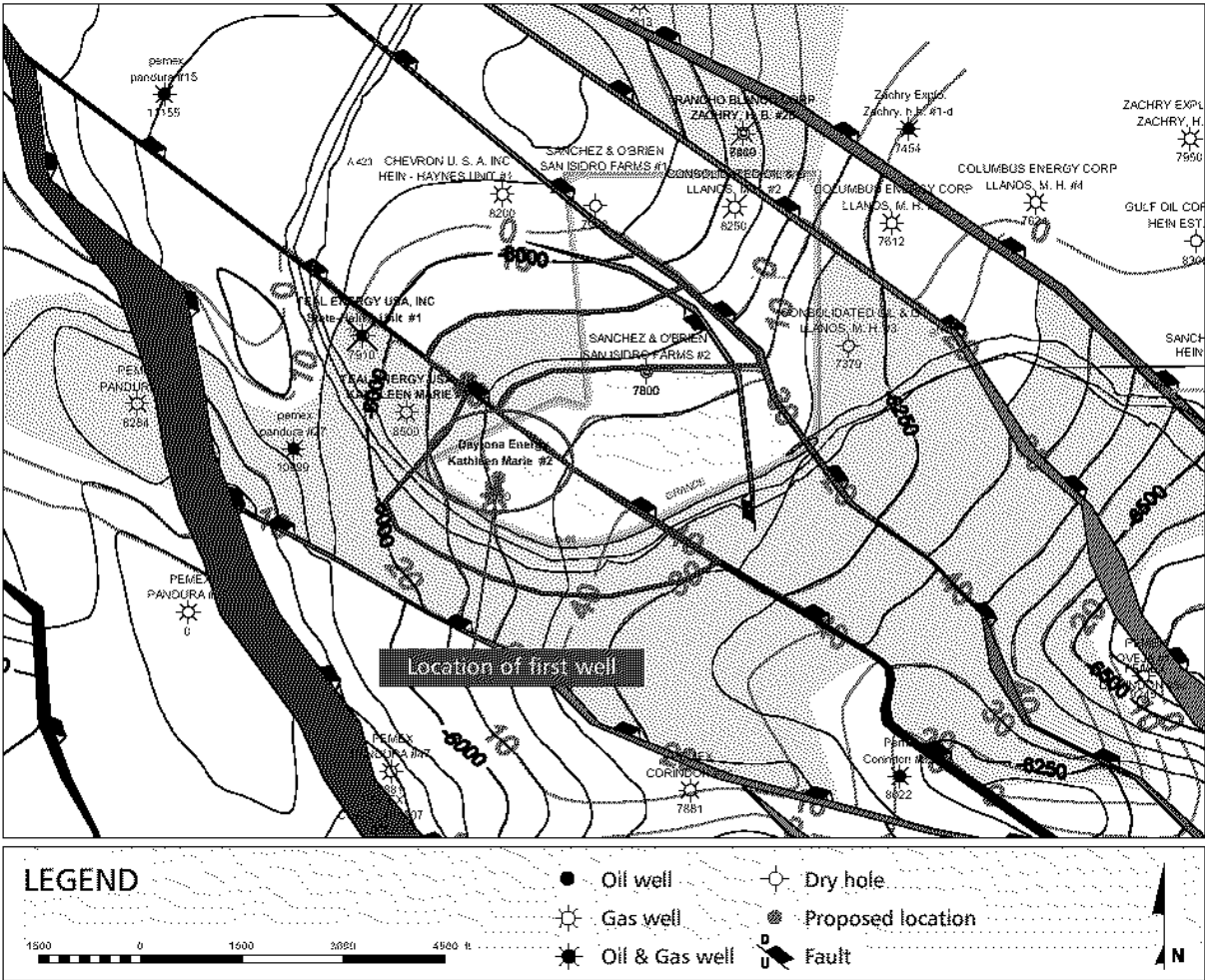


Figure 5-3. 424-Acre Lease Offsetting Kathleen Marie #1 Well in Marie H. Llanos Field, Webb Co., Texas

The Pandura prospect comprises a 424-acre lease that is adjacent to the Kathleen Marie #1 gas well in the Marie H. Llanos field in Webb County, Texas. The Marie H. Llanos field is adjacent to the Laredo gas field that was discovered in February 1976 and has produced some 740 Bcf of gas and approximately 4 million barrels of condensate from the Lobo sands to date. In the Laredo (Navarro) field, it also produced over 40 Bcf of gas from the same period of time. The operator of the Kathleen Marie #1 well is Teal Energy and they have agreed to provide all the available seismic and geological data of the area to earn a 10% carried working interest. The Kathleen Marie #1 well has a cumulative production of 1,068.7 Mmcf of gas and 9,040 barrels of condensate from the Lobo 1 sand between June 2000 and October 2004.

The offset well location is within the same fault block as the Kathleen Marie #1 well. The fault block is defined by a major fault line running north-south on the Mexican side and a fault line running north-west to south-east across the Kathleen Marie lease as shown up on three seismic lines: EOG-90-1, SOB-SI-87-1 and 87-2. The offset location is approximately located at shot point 103 of seismic line SOB-SI-87-1. This offset location would be away from the Kathleen Marie #1 in order to reduce the potential drainage by current production.

Besides the Lobo 1 producing zone in the Katherine Marie #1 well, other potential gas zones as indicated from electric logs are as follows:

- Lobo 3 sand from 6,847 to 6,888 feet with 14.5 net feet with 14.35% porosity and 40.95% water saturation; and
- Navarro sand from 7,654 to 7,661 feet with 7 net feet with 13.3% porosity and 38.18% water saturation.

There are Lobo 3 and Navarro gas production in the Laredo field that is adjacent to the Marie H. Llanos field. In addition, there is Navarro gas production from the Pandura field at about 5 miles from the lease on the Mexican side of the border, though no Mexican Navarro production data is available.

It is expected that the operator, Daytona Energy, will drill the first well in May 2006 subject to rig availability.

Further details of the Pandura Prospect are set out in the USA Independent Geologist’s Report in Section 7.

Progresso Prospect, South Texas – Emerald Gas – 30% WI

Progresso Prospect, located in Hidalgo County, South Texas, is a large anticlinal closure in the Frio section caused by regional growth faulting. The crest and eastern flanks are presently poorly closed due to later movement. The western flank has a well defined three way closure against a well defined fault. The sand shale ratio is sufficient to minimize leakage across the fault.

The Shell #1 Drawe well encountered 250 foot sand near target depth that appears wet. These sands are likely trapping at the Progresso lead. Reservoir parameters are likely to range from 16-22% porosity with good associated permeability. USA independent producer EOG Resources completed a well in 2005 for over 1 Mmcf gas per day just to the north of the prospect. Marathon Oil Corporation has just completed a large 3D survey encompassing all of the leads.

Daytona has currently leased over 370 acres of the structure and is negotiating acquisition of a further 140 acres. It is expected that Daytona will jointly explore the prospect with other significant landowners in the area. Emerald Gas through its 30% of Daytona's working interest in the Progresso Gas project will participate in any pooled exploration and development.

Further details in relation to the Progresso Prospect are set out in the USA Independent Geologist's Report in Section 7.

Sharon North Project, Jasper County Mississippi – Emerald Gas – 25% WI

Prospect Description

The North Sharon Prospect, located in Jasper County of south-eastern Mississippi, targets the Cretaceous Selma Chalk. The prospect is a gas prospect set up by surrounding well bore data. It is an up-thrown fault closure on a north-south trending fault which is a splinter fault off a more major fault to the east. The major fault is down-thrown to the east as is the splinter fault. The major fault sets up the trap for the Sharon gas field, which has produced approximately 9 Bcf gas to date.

Due to the previously low gas price, the Sharon field was somewhat dormant from the time of its discovery in 1976, and only the oil and petroleum liquids were sold to market. It appears the gas was used locally for lease operations or flared. Beginning in 2003 with the price of gas increasing, a development program was initiated by the operator, Denbury Resources, and production jumped from only 2,853 Mcf gas in 1996 to 146,542 Mcf gas in 2003. This year to date it has produced 355,889 Mcf gas and is currently being further developed.

The splinter fault is observed on two wells, the California Company #1 Peek and the Thurber #1 Morgan-Pharis, and is confirmed on two seismic lines which traverse the prospect. At the target horizon Selma Chalk, the fault is interpreted to have 75 feet of throw, and extend to the north where it dies out. The two seismic lines show continued east (regional) dip on the up thrown side of the fault, but the fault elevates the Selma Chalk along the trace of the fault high enough above regional dip to form a trap. Closure along the strike of the fault is interpretive.

The two wells mentioned above were drilled over 40 years ago prior to any significant hydrocarbon production from the Selma Chalk in Mississippi. At the time of drilling, both wells tested gas from the Selma interval. The Thurber tested 1,250 Mcf gas per day and 24 barrels of condensate per day with 850#FTP (flowing tubing pressure) but has never produced. The California Peek well tested at rates of over 1,400 Mcf gas per day and produced 127,000 Mcf in 24 months of production before being plugged while still producing 80 Mcf gas per day. Gas was probably used for lease operations (oil production) and at the time had very little or no market value. In addition to providing structural control, these two wells prove the area surrounding them is gas saturated and undrained at the Selma interval. Log inspection indicates the Thurber well actually faulted out part of the main Selma reservoir but still tested as related above.

It has been reported that the adjacent Sharon field is currently being developed with the use of S-shaped drilling. Well bores are often separated by a mere 500 feet, giving the effect of development on a 40 acre or even 20 acre spacing from one surface pad. Three new S-shaped wells in the Sharon field to the east have now produced for over one year and average 97,000 Mcf gas per well. By comparison, there are three wells in the Heidelberg field three miles to the northeast that have produced over 1 Bcf each and have been producing since 1976, and are still being produced today at rates of 50 to 75 Mcf gas per day.

The first well to be drilled is estimated to cost US\$300,000 and will take less than 7 days to drill. Using conservative estimates of 300 Mmcf cumulative production per well, the finding cost at 20 percent royalty to the land owner would be US\$1.56 per Mcf for the first well and US\$1.25 per Mcf on subsequent vertical wells. Should 320 acres prove productive, the cumulative production for the prospect would be approximately 5 Bcf gas. If the entire 400 to 500 acres covered by the prospect were to prove productive, cumulative production could be 6 to 7.5 Bcf gas.

Land

The operator currently has 445 gross acres under lease within an outline of 720 gross acres. Two 320 acre producing units will be requested of the Mississippi Oil and Gas Board. Mineral interest owners not under lease will either be carried under the alternate risk provisions of 300 percent penalty for non-participation, will participate paying their pro-rata share of the costs within each unit, or will lease when the units have been approved.

It is expected that the operator, Daytona Energy Corporation will drill the first exploration well in June 2006, subject to rig availability.

Further details in relation to the Sharon North Prospect are set out in the USA Independent Geologist's Report in Section 7.

Hamlet Prospect, North Dakota – Emerald Gas – 18.75% WI

Location

The Hamlet Prospect is located on the northeastern flank of the Williston Basin in northwestern North Dakota, Renville County. Commercial oil is produced in the area from several members of the Mission Canyon Formation of the Madison Group of Mississippian age. Specifically, the Hamlet Prospect targets the Sherwood member which is one of the more significant producing members. It produced more than 28 million barrels of oil from the Sherwood field, which lies two townships north (approximately 15 miles), and which extends into Canada to the north. The field, which is composed of 54 wells, was first drilled on 80 acre spacing, but has since been drilled on 40 acre intervals. Several smaller fields lie within close proximity to the prospect (see Figure 5-4). Five other fields in the immediate area produce from this member of the Madison Group.

Geology

Stratigraphic considerations play a major role in the development of Sherwood aged traps. In some cases porous lagoonal facies carbonate reservoirs are sealed by evaporitic sequences, and in other cases porous bank deposits (oolitic deposits) develop seaward of the carbonate-evaporite interface. Development of both types of traps depended upon minor variations in the paleotopography where such developments could be subsequently capped by deposition of low energy mudstones. Such paleotopography can be re-constructed by careful interpretation of modern logs in conjunction with modern seismic data. Paleotopography, or ancient surface structure, is usually re-constructed with the aid of isopach (thickness) mapping of the units under investigation and their addition to one another, creating a paleo-structure map. Such is the case for the Sherwood formation at the Hamlet Prospect. Here the Sherwood is thought to have been thickened by algal-oolitic mounding which has resulted in the Sherwood being as much as 70 feet thick.

In addition to the Sherwood formation, secondary targets include the Midale and Mohall members of the Madison Group. Both are productive in the area. A 5,150 foot test is proposed which will enable testing of all stratigraphic units thought to be possibly productive.

Land Position

Figure 5-4, shows the land position held by the operator. The area in yellow shows 2,698 gross acres or 2,618 net acres under lease. Net revenue interests are between 81.25 and 82.5 percent on all acreage.

Future Development

The first Ness # 1-8 had oil shows but tested stillwater from the Sherwood. However, assuming the next well (Hamlet West) is prospective, the development of Hamlet should incorporate the gathering and processing of additional seismic data, 2D and 3D, including research into the benefits of horizontal development drilling and completion techniques and the integration of development engineering. Horizontal exploration and development drilling has been underway for some time on these shallow Mississippian formations on the Canadian side of the Williston Basin. Operators within the USA portion of the Williston Basin are also now undertaking horizontal drilling in the Mississippian, Bakken and Red River Formations.

Following the drilling of Ness # 1-8 well the prospective position of Hamlet appears to be the anomalous structural high mapped in Section 7 which could cover 320 acres. Reservoir properties of 20 feet of effective porosity greater than 8% with recoveries of 200 barrels of oil per acre foot from horizontal wells should be possible. By integrating horizontal drilling and completion technology with geology, geophysics and engineering the operator believes that development expenditures will be minimised. Economics should be improved by drilling horizontal wells eliminating the need to drill development wells on 40-acre or 80-acre spacing while increasing recovery and productivity.

Project Status

Emerald has exercised its option to participate in an 18.75% working interest in the prospect for 25% of the costs of the first well. The operator, Golden Eye Resources LLC spudded the first well Ness # 1-8 on March 2, 2006 and it was plugged and abandoned as a dry hole on March 12, 2006. The well encountered oil shows in the Sherwood formation but came in structurally low to the seismic interpretations and tested salt water. The well was drilled under budget.

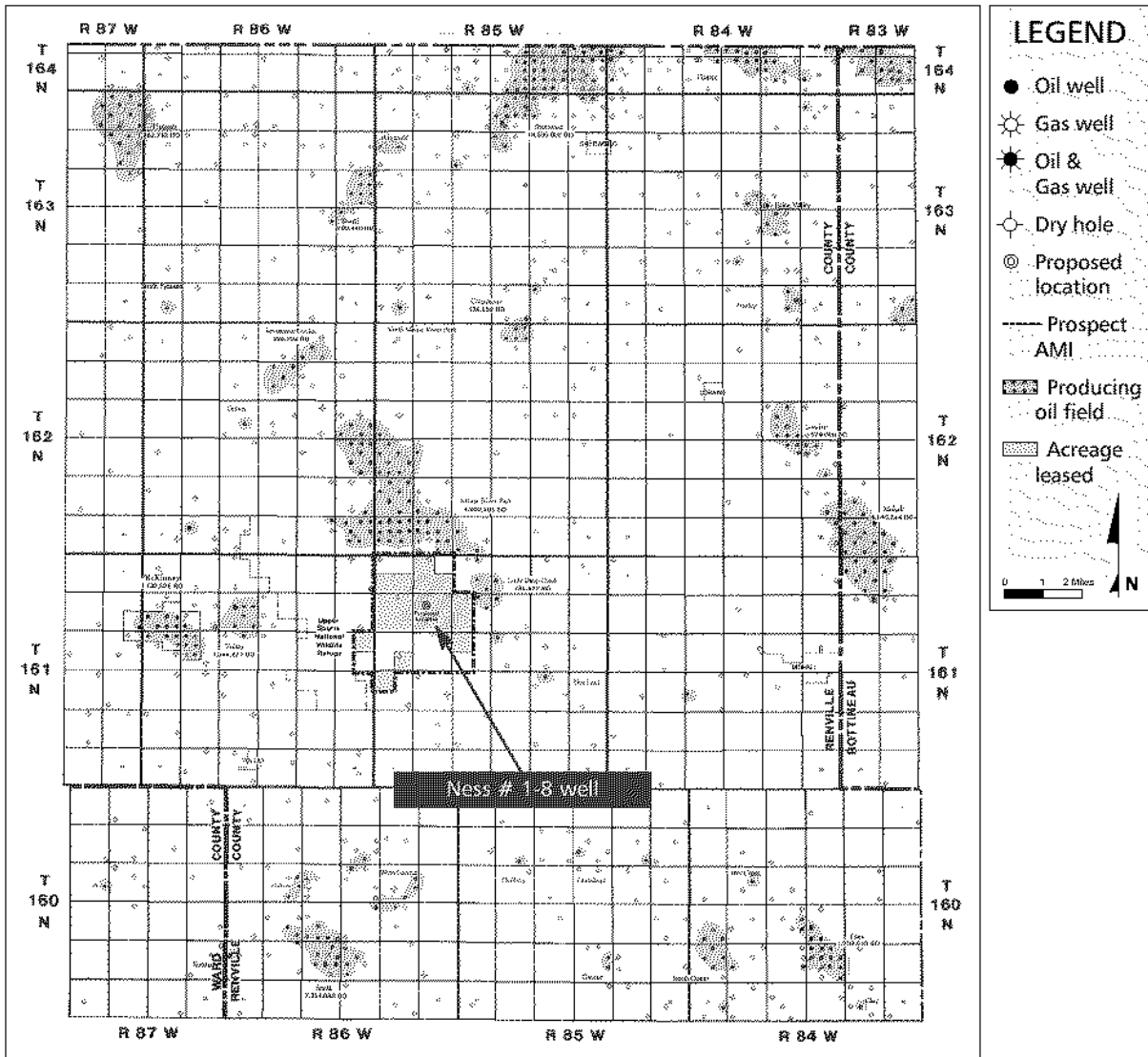


Figure 5-4. **Regional Base Map.** Showing location of Hamlet Prospect with respect to producing fields (shown in Blue).

The results of the Ness # 1-8 well does not condemn all the acreage held by the consortium covering the Hamlet prospect. The Sherwood structure map (as shown in the USA Independent Geologist’s Report, Section 7) shows two separate closures mapped under the acreage currently being leased, the largest of which was the objective of the first exploration well. In addition, well data from this well will, enhance the Company’s understanding of the prospectivity of the second closure.

Further details of the Hamlet Prospect are set out in the USA Independent Geologist’s Report in Section 7.

Daytona Project Generation Joint Venture

South Texas USA

Emerald Gas has signed a Memorandum of Understanding with Daytona whereby both parties agree to the formation of an Area of Mutual Interest Joint Venture ("AMI") for joint evaluation and exploration of the geographic area of South Texas (as set out below). The principals of the AMI Agreement are:

- Daytona is operator;
- the interests shall be 50-50, and each designated prospect area will be governed by the terms of a Joint Operating Agreement (JOA);
- Daytona shall engage the necessary consultants and technical team ("JV Team") to source and evaluate oil and gas opportunities within the AMI;
- any project opportunities within the AMI identified by either party shall be offered into the JV on the same 50/50 basis;
- the AMI can be extended to other regions, states, countries by mutual agreement; and
- the AMI Agreement will have an initial three year term to be extended by mutual agreement.

The AMI covers roughly the Corpus Christi region of Southern Texas, which covers the extent of the Wilcox, and Vicksburg formations including the Queen City sands.

Further details of the AMI are set out in Section 15.4.

The Directors are confident this joint venture will generate several attractive prospects in the medium to long term. Most importantly Emerald Gas will be entitled to a ground floor interest in these prospects, after which it may farm down to a more manageable level on a prospect by prospect basis, gaining leverage in the process.

Glenn & Krancer Exploration – Memorandum of Understanding

Emerald Gas has signed a Memorandum of Understanding with a private exploration team based in Houston, Glenn & Krancer Exploration ("G&K"). The agreement entitles Emerald Gas to a 90 day option to take up to a 25% working interest in any projects generated by G&K and presented to Emerald over an initial 12 month period. The Agreement is limited to Duval, Jim Hogg, Hidalgo and Starr counties of South Texas where G&K have identified a number of under-explored prospect areas.

Under the terms of the alliance, Emerald Gas will contribute US\$2,000 per month to cover G&K overhead expenses. G&K will be entitled to a prospect fee and an Over-Riding Royalty Interest ("ORRI") for each project taken up by Emerald, such fees to be negotiated at the time, based on the merits of each prospect. Further details of the Memorandum of Understanding are set out in Section 15.4.

Glenn & Krancer have access to an extensive geological/geophysical database in the South Texas region which they will use to assist project generation under the alliance. They have developed a 'prospect inventory' of target prospects for the alliance covering a range of different size, risk and costs from a low risk 20 Bcf plays to a massive 10 Tcf target.

5.3 Australian Prospects

Emerald Gas has signed agreements to farm-in to an interest in a cluster of permits located in the Canning Basin, Western Australia. Emerald Gas's interest will be earning an 18.75% interest in a well planned for the fourth quarter of 2006.

Emerald Gas has signed agreements with a consortium headed by operator Empire Oil and Gas NL (through its wholly owned subsidiary, Gulliver Productions Pty Ltd) to farm-in for an 18.75% working interest (25% paying interest) into three permits in the Canning Basin, Western Australia, being EP104 (R4), Retention Lease R1 and L-98-1 Application. The entry terms are conditional upon Emerald Gas listing (including a back door listing) on ASX by March 31, 2006, as extended by agreement.

Emerald Gas will participate in the appraisal well Stokes Bay-1, a step-out to the discovery well Pt Torment-1 which flow-tested gas at a rate of 4.3 Mcf gas per day. Oil was flowed to surface in a subsequent re-entry.

The location of the prospect within trucking or shipping distance of regional centres, brings several potential development options into play. The Directors consider that prices for energy and new techniques for development make this an attractive development play where previously limitations existed.

West Kora Workover:

By completing the Stokes Bay 1 farmin, Emerald Gas will have an option to participate in the West Kora workover on the same interests as for Stokes Bay (paying 25% for an 18.75% working interest). This well is situated on Application L98-1. West Kora flowed 300 barrels of high quality oil on a previous test and the well was re-entered and 23,000 barrels of oil were produced and sold.

Valentine Prospect

The upside to this cluster of 3 tenements is the underlying and undrilled Valentine prospect, which could host up to 1.2 Tcf of gas or 200 MMbo (recoverable). This prospect is 50 square kilometres in area, in the Virgin Hills Formation (3,000m depth), which was identified as a good quality sandstone reservoir in the nearby well Puratite# 1.

Further details in relation to the Australian Prospects are set out in the Australian Independent Geologist's Report in Section 8.

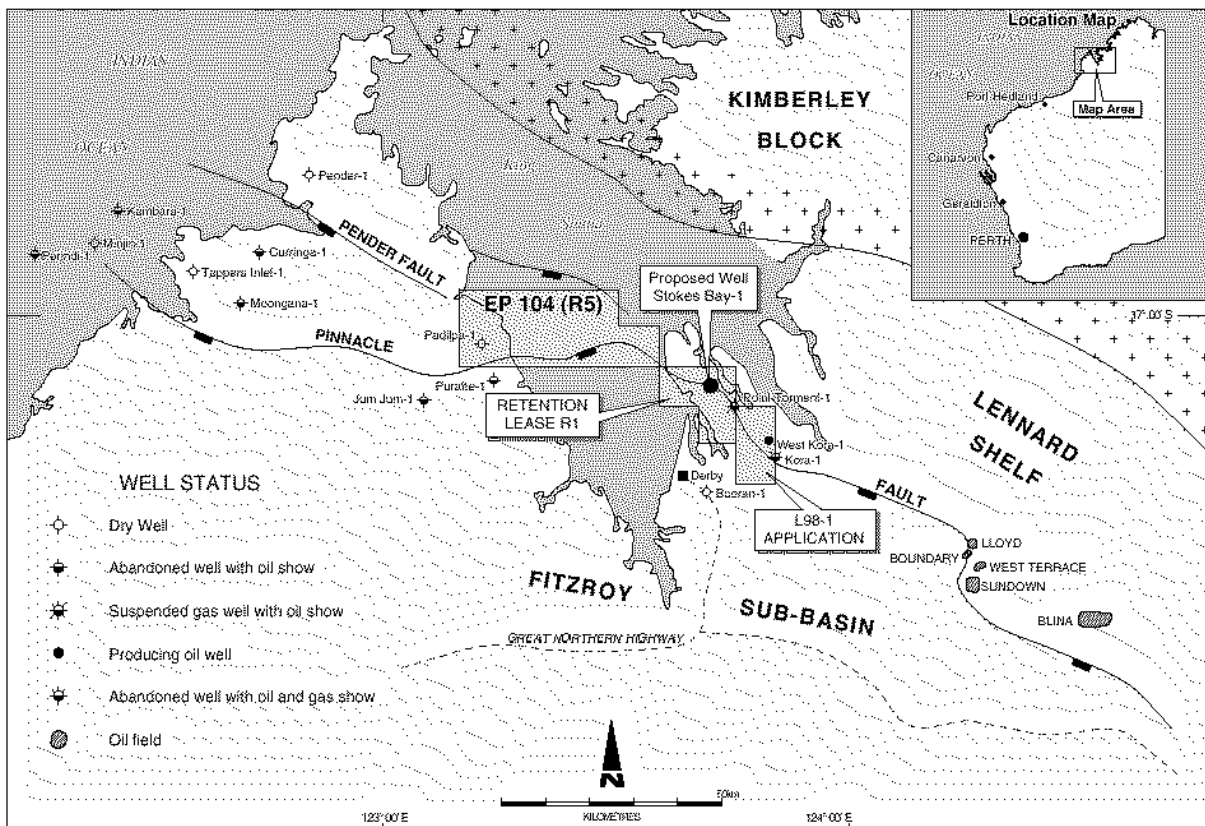


Figure 5-5. Canning Basin, Western Australia – Emerald Gas 18.75% W I

Directors and Management

6.1 Existing Directors

Your Existing Directors have diverse skills and experience which include stock broking and legal expertise. They also have considerable experience in evaluating investment projects for companies. Further information about each Existing Director is set out below.

Mr Jeremy D Shervington
Non Executive Chairman
B.Juris, LLB

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 almost 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. Mr Shervington is currently also a director of the following ASX listed companies: Australian Zircon NL, Biron Apparel Limited and Prairie Downs Metals Limited.

Mr Adam Rankine-Wilson
Non Executive Director
FAICD. F Fin.

Mr Rankine-Wilson is currently Executive Chairman of Capital Investment Partners and a non-Executive Director of Rubirosa Limited.

Mr Rankine-Wilson has held directorships in numerous publicly listed companies including Grange Resources Limited, Investment Company of the West (since renamed Prairie Downs Metals Limited) Wave Capital Limited (since renamed Riversdale Mining Limited), Musgrave Block Holdings Limited (since renamed Unitract Limited), ECAT Development Capital Limited (since renamed Clinical Cell Culture Limited), Australian Silicon Limited (since renamed BMA Gold Limited) and Transact Limited (since renamed Financial Resources Limited).

Over the past 15 years, Mr Rankine-Wilson has also been a director of numerous other private and public companies. He has extensive experience in the mining and investment industries, particularly in Western Australia. He has significant knowledge and understanding of the financial criteria and methodology used in assessing investment proposals. He has participated as a director in the negotiation and consummation of numerous and significant business acquisitions and the attendant finance raising and due diligence enquiries and processes.

Mr Alan Coulthard
Non Executive Director

Mr Coulthard is an accountant currently residing in the United Kingdom.

Mr Coulthard is an accountant currently residing in the United Kingdom. Since 1968 Mr Coulthard has held various career positions both in Australia, the United Kingdom and America involving roles as accountant, group financial controller, company secretary and general manager for a number of public (listed and unlisted) and private companies and organisations.

His experience has included the preparation, implementation and co-ordination of business plans and forecasts, the establishment of accounting systems, the establishment of offshore subsidiaries, contract negotiation, preparation of group statutory accounts and group financial and statutory requirements, preparation of budgets and the monitoring of cash flows and expenditures.

Mr Coulthard is currently employed as a Senior Team Leader with American Express International in the United Kingdom where his role involves the preparation and management of the financial planning (budgets and forecasts) and reporting for the Financial Centres to which he reports. These responsibilities include the preparation of the business plans of the financial support centres of the European, Middle East and African markets.

6.2 Proposed Directors

It is proposed that as from Completion, Mr John Hannaford and Mr Robert Berven will be appointed as Directors. At Completion, Mr Jeremy Shervington will continue as a Director and Mr Adam Rankine-Wilson and Mr Alan Coulthard will retire.

Mr John Hannaford

Executive Director - Finance, Company Secretary

BCom (UWA), C.A., FFin.

Mr Hannaford is a qualified Chartered Accountant who has worked in various corporate roles within the resources sector in Australia, Asia and Europe. He has been involved with a wide range of companies including listed oil and gas explorer and producers, oilfield construction groups and various gold and mineral exploration companies. In 2004, Mr Hannaford established Ventnor Capital, to provide specialist corporate advice to companies within the resources industries. Prior to establishing Ventnor Capital, Mr Hannaford provided various administrative, corporate and strategic financial advice to resource companies and was a Company Secretary or Financial Controller for many of these companies.

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.

Mr Robert Berven

Executive Director - Technical

BEng (Geol), MSc (Geol), Saskatchewan

Mr Berven is a professional Geologist, originally from Canada, who has over 40 years experience in the petroleum and mining industries in North America and Australasia. He originally worked in Australia with Marathon Petroleum Corporation from 1966-1969. He worked as a petroleum consultant in Indonesia then joined Trend Exploration in Indonesia and USA from 1975-1981. He was then involved with various projects including, Prospect Petroleum, based in Denver Colorado, which commenced oil production from the Illinois Basin and grew to a staff of 40 before being acquired.

Mr Berven returned to Perth in 1986 to form Eldorado Resources NL, which was acquired by Croesus Mining NL and is now a subsidiary of Croesus. He has also worked within the Business Development and Marketing team of World Geoscience Corporation Pty Ltd (now Fugro Surveys Ltd). He was founder of Flare Petroleum NL which was acquired by Daytona Energy Corporation in 1999.

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.

Mr Berven was a Director of Croesus Mining NL until 2004 and was until recently a Director of Daytona Energy Corp., a company listed on the TSX Venture Exchange and which has various interests in projects in the USA in which Emerald Gas has an interest.

6.3 Proposed Management

Following Completion and subject to negotiation of suitable ongoing terms of engagement, it is proposed to engage Mr Franc Silc and Mr Dick Cooper as part of the Company's management team.

Mr Frank Silc

Technical Director - Emerald Gas USA LLC

B.S. Petroleum Engineering (1969, NMIMT, Socorro, New Mexico, U.S.A.) Postgraduate research in Mineral Economics (1987-88, WASM, Kalgoorlie, W.A.), F.I.E.Aust., C.P.Eng.

Mr Silc is a highly qualified and experienced Petroleum Engineer. He was previously Director and chief representative of Matrix from 2001-2003 based in Jakarta and where he managed the local office and oversaw all aspects of the Company's Exploration & Production and Development activities in its three offshore contract areas in Indonesia. Prior to that Mr Silc consulted extensively to the petroleum industry over the last 30 years. His roles have covered all facets of the upstream, mid- and downstream sectors of the industry. He has successfully completed numerous senior advisory, management, coordinating, supervisory, and engineering assignments worldwide, both offshore and onshore, and associated with acquisitions, government liaison, tenders and bids, contracts and contract negotiations, insurance, pre- and full feasibility studies, strategic planning, establishing industry alliances, putting together joint ventures, setting up foreign/regional offices, pre-planning – including permitting, exploration, drilling, production, development, construction, pipelining, natural gas processing and oil refining.

Mr Silc will be based in North America and his role will involve overseeing all technical aspects of the Company's drilling and production operations, new projects identification and review and management of exploration activities.

Mr Dick Cooper

Technical Director Emerald Gas Limited

BSc (Hons), Adelaide, Postgrad. Diploma in Geology, French Petroleum Institute, Paris, 1963

Mr Cooper has over 40 years experience in the oil and gas industry. He is now a practising geosciences consultant in Perth, having spent 22 years in senior geosciences staff positions with the French major oil company, Total, in Australia, Indonesia, the UK North Sea, and the USA Gulf Coast. In 1980, Mr Cooper was promoted to the position of Exploration Manager over Ireland.

Since 1985, Mr Cooper has undertaken various geophysical and managerial contract works in Australia and Indonesia on behalf of Total, Marathon Oil Corporation, Bond Energy & Minerals, Petroz NL, and Coastal/El Paso Energy Corporation. The focus of the majority of his assignments has been the identification and assessment of new-venture opportunities within the oil and gas industry.

Mr Cooper will continue as a Technical Director of Emerald Gas Limited and will have involvement in technical oversight of operations and exploration activities, on a consultancy basis for Emerald Oil & Gas NL.

6.4 Corporate Governance Statement

The Board of Directors of Matrix 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. Matrix 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. The following is a summary of Matrix's adherence to the Council's principles and recommendations:

Principle 1. Lay the foundations for management and oversight

Matrix complies with this recommendation.

Principle 2. Structure the board to add value

Matrix complies with this recommendation.

Principle 3. Promote ethical and responsible decision making

Matrix complies with this recommendation.

Principle 4. Safeguard integrity in financial reporting

Matrix does not comply with this recommendation of having at least three non-executive directors on the Audit Committee. Matrix is a small company with limited resources, that has not had an operating business. Matrix's Audit and Compliance Committee is comprised of the Company's non-executive chairman and non-executive director.

Principle 5. Make timely and balanced disclosure

Matrix complies with this recommendation.

Principle 6. Respect the rights of shareholders

Matrix complies with this recommendation.

Principle 7. Recognise and manage risk

Matrix complies with this recommendation.

Principle 8. Encourage enhanced performance

Matrix complies with this recommendation.

Principle 9. Remunerate fairly and responsibly

Matrix complies with this recommendation except for the grant of the Options to the Existing Directors and to the extent that non-executive Directors may participate in the grant of Management Options which will have been approved by Shareholders. The grant of the Options to the Existing Directors was approved by Shareholders at the Company's 15 December General Meeting. It is considered that options are a means of preserving the Company's cash reserves while retaining the services of appropriately qualified non-executive directors.

Principle 10. Recognise the legitimate interests of stakeholders

Matrix complies with this recommendation.

Information about the Company's corporate governance practices are available by contacting the Company directly.

6.5 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 share holding 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 Board has an audit committee. It considers that 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.

6.7 Appointments to Other Boards

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

6.8 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.

6.9 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 mineral 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.

USA Independent Geologist's Report

Marvin Ginzel
3022 Sunset St
Houston, TX 77005, USA

March 21, 2006

The Directors
 Matrix Oil NL
 (to be renamed Emerald Oil & Gas NL)

Dear Sirs,

Independent Technical Report – USA Oil and Gas Project

I have prepared this report for inclusion in a Prospectus to be issued by Matrix Oil NL, to be renamed Emerald Oil & Gas NL ("Matrix") to be dated on or about March 23, 2006 relating to the Public Offer by Matrix of up to 17.5 million ordinary Shares of twenty cents each, payable in full on application, with each Share carrying one attaching option exercisable at 20 cents per Share on or before May 31, 2008, and pro rata Offers of Shares and options to existing shareholders. Matrix has entered into an agreement to acquire 100% of the outstanding share capital of Emerald Gas Limited, an Australian registered company which, through its Texas registered wholly owned subsidiary Emerald Gas USA LLC has entered into Option and Participation agreements over four oil and gas prospects located in Texas, Mississippi and North Dakota USA. Following shareholder approval of the acquisition Matrix is to be renamed Emerald Oil and Gas NL and participate in the exploration of the oil and gas properties.

The scope of this report covers Emerald Gas's USA oil and gas properties and makes no comment about any other projects held by Emerald Gas.

At the date of this report March 21, 2006 statements, interpretations, opinions, and data presentations contained within this report are given in good faith and are derived from information believed to be reliable and accurate and supplemented by my own knowledge, investigations, and analyses. They represent "best endeavors" for optimal, technical applications of such information. I have relied on this information and have no reason to believe any material facts have been withheld from me. Such interpretations, opinions, and presentations are subjective and speculative by their nature and are, therefore, subject to modification and/or replacement as and when new or more accurate exploration data become available. I do not imply that I have carried out any type of audit of the technical, accounting or other records of Matrix, or that my assessments have revealed all the matters which an audit or more extensive examination might disclose as of the date of this report. Most of the information in this report consists of factual data, technical interpretations, and opinion which has been collected, recorded, processed, and compiled on behalf of Matrix, or Matrix's operator, at their expense. The form, wording, and presentation of the data are the author's (M. Ginzel).

The author makes no warranties, express or implied, representations or guarantees, nor assumes any legal liability or responsibility as to the accuracy of said information and expressly disclaims all liabilities, losses, and damages arising out of the use of this information, including errors and omissions in the information contained herein.

Investors are advised of the risk that the drilling program described herein may not discover commercial quantities of hydrocarbons. Oil and gas volumetrics described in this report are based on best estimates assuming all conditions for hydrocarbon accumulations have been met.

I am a Professional Petroleum Geologist and Geophysicist and a member of both the American Association of Petroleum Geologists (AAPG – member since 1971, member number 26818-3), and the Society of Exploration Geophysicists (SEG – member since 1980, member number 004430). I have spent over 30 years in the oil and gas exploration and production industry. I have been employed by Texaco, Gulf Oil Corporation, HNG Oil Company, Enron Oil and Gas Company, Coastal Corporation, and El Paso Production Company. I have consulted to the industry since February 2001. I have worked many of the major basins of the USA and internationally in South America including Peru, Brazil, Argentina, Ecuador, Venezuela, Columbia, Chile, and French Guiana, in the Middle East, SE Asia, China, Australia, Norway, the United Kingdom, several states of the Former Soviet Union (FSU), and North and West Africa. I held title of Chief Geophysicist for Gulf Oil in Norway and HNG Oil in the USA, Senior Vice President at Enron Oil and Gas, and Vice President of International Exploration at Coastal and El Paso.

I am not a director or employee of Matrix or Emerald Gas Limited or Emerald Gas USA LLC, and there is no intention that I will be a director of either company in the future. Fees are being charged at a commercial rate for the preparation of this report, the payment of which are not contingent on the conclusions of the report or the success of the proposed re-admission of Matrix to ASX. I have given, and have not at the time of lodgement of this Prospectus, withdrawn my consent to the issue of the Prospectus with this report included in the form and context in which it appears.

Reserve Review

The definitions used in this report are those of the USA's Society of Petroleum Engineers, the summary of definitions being as follows:

Proved Reserves

Proved Reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. Proved Reserves can be categorised as developed or undeveloped.

Unproved Reserves

Unproved Reserves are based on geological and/or engineering data similar to that used for Proved Reserves but technical, contractual, economic or regulatory uncertainties preclude such reserves being classified as proved. Unproved Reserves can be classified as Probable Reserves and Possible Reserves.

Probable Reserves

Probable Reserves are those Unproved Reserves which analysis of geological and engineering data suggests are more than likely than not to be recoverable.

Possible Reserves

Possible Reserves are those Unproved Reserves which analysis of geological and engineering data suggests are less likely to be recoverable than Probable Reserves.

South Texas Region

Introduction – Background Information

South Texas is composed primarily of Texas Railroad Commission (RRC) Districts 1, 2, and 4. (*The Texas Railroad Commission is a Texas state agency established in 1891 to govern railroads, wharves, terminals, and express companies. In the early 1900's it was given jurisdiction over "common carriers" in order to oversee petroleum pipelines as well as other common carriers. Later, in the 1930's, in response to the unrestrained production from newly discovered huge east Texas oilfields, which caused chaos in the oil markets, the RRC was given jurisdiction over production of oil (and later, gas) and the development of oil and gas fields themselves.*) (RRC website) These three districts include 58 counties in South Texas. Oil and gas is produced from rock units ranging in age from Ordovician to Pleistocene. Major production is from Cretaceous aged rocks, Paleocene/Eocene-aged Wilcox (including the Lobo), and Oligocene-aged Vicksburg and Frio sands.

It is important to note some facts concerning reserves of both oil and gas with respect to the state of Texas and the USA as a whole. Gas reserves for the entire state of Texas peaked approximately in 1968 with 125 Tcf of proven reserves. Since that time, reserves have fallen, with occasional yearly up-ticks, to their present day level of approximately 50 Tcf in onshore provinces and an additional 4.1 Tcf offshore Texas in Federal waters (*EIA website*). Yearly production of natural gas peaked in 1972 with approximately 7.5 Tcf being produced. Since then production has declined, again, with occasional up-ticks, to the present day level of approximately 4.8 Tcf per year (*RRC website*). It is evident, therefore, that Texas has approximately ten and one-half years of remaining proven gas reserves, while "undiscovered gas reserves" should last for approximately an additional 20 years.

Oil reserves for the entire state of Texas peaked in the early 1960's at 14.8 billion barrels of proven reserves. Today reserves have fallen to approximately 5.6 billion barrels. Yearly production of onshore oil is now approximately 350 million barrels (*RRC website*); this translates to approximately 15 years of proven oil reserves at the present rate of production. However, undiscovered oil reserves equates to approximately 50 years of production at the current rate. One can be sure, however, that production rates for both oil and gas will not stay constant, but will continue their general decline of past years. It is a known fact that USA imports over half of its daily oil requirement, and that at present levels of consumption this number will only grow. Similarly, production of natural gas in the USA is beginning to fall behind demand and imported LNG is augmenting the domestic natural gas supply.

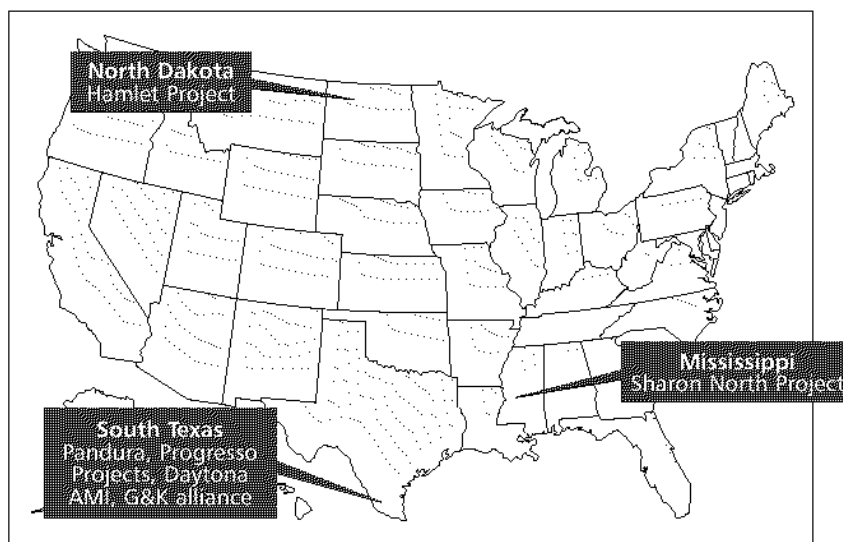


Figure 7-1. USA project location map showing principle areas of activity.

Several points need to be made about production in the State of Texas:

1. The State of Texas holds approximately 26 percent of all USA oil and gas reserves, including Alaska;
2. While only 3 percent of the Texas onshore oil reserves lie in the three Districts in which Emerald is active (Districts 1, 2, and 4), over 26 percent of the known onshore Texas gas reserves lies within these three Districts;
3. Districts 1, 2, and 4 to date have produced over 28 Tcf of gas (*RRC data*);
4. Of the remaining 45 Tcf of onshore Texas proven gas reserves, Districts 1, 2 and 4 are believed to contain over 10.8 Tcf, or approximately 24 percent of the remaining gas reserves;
5. Of the remaining 168 Tcf of onshore undiscovered gas reserves, Districts 1, 2 and 4 contain approximately 44 Tcf, or over 26 percent of all remaining undiscovered onshore gas reserves, more than cumulative production to date and known proven reserves combined.
6. Of the undiscovered gas in the three districts, over 33 Tcf, or 75 percent, may lie in District 4, which contains both the Wilcox Lobo and Oligocene Frio gas plays, and is a major target of Emerald's exploration and exploitation program.

Location/Historical Background

Emerald's main area of interest is in deep south Texas, mainly in Webb and Zapata Counties (the main part of the Lobo Trend), and extending northward into Duval County, and southeastward into Hidalgo County (the Frio trend). Emerald's general interest includes all of RRC District 4, and extends northward into Districts 1 and 2. (See Figure 7-2, showing Lobo trend location.) These three districts comprise one of the state's most prolific onshore hydrocarbon producing areas.

Statistics as of September 2005 show the State of Texas (onshore) has been penetrated by over 350,000 wells of various types (RRC). Of these, approximately 100,000 are gas wells, the remainder being oil wells. The county with the most currently producing gas wells is Crockett, which is a large county in the heart of the Permian Basin (West Texas) a very mature gas producing region, with 4,835 producing wells. As a matter of comparison, Webb County has 3,923 producing gas wells, and Zapata County has 2,361. These two counties make up the heart of the Wilcox Gas Trends as can be seen on Figure 7-2 below. These two counties are among the leading counties of Texas in terms of wells drilled, current activity, and production.

The first discovery of gas in the Lobo sands was made in 1973. Initial success rates exceeded 75 percent of all exploratory wells, and have since fallen to approximately 50 percent, but the play still remains one of the most successful of all onshore provinces in Texas or, indeed, all of onshore USA. The play extends across the Rio Grande River into Mexico and Pemex (the National Oil Company of Mexico) continues to develop Mexican gas fields and make new field discoveries just as on the USA side of the border. Of the 100 largest gas fields in the USA, including Alaska and Federal Offshore Waters, 3 are in the Lobo Gas Trend.

The play being pursued by Emerald is attractive for the following reasons:

- **Geology**

- Depth to target – averages less than 7,000 feet – range 4,000 to 11,000
- Extent of sands
- Multiple sands within formation
- Relative lack of water production

- **Land and Infrastructure**

- Drilling rigs available locally
- Drilling costs reasonable – usually less than \$1MM
- Accessible terrain – relatively good and plentiful roads
- Topographically flat and sparsely vegetated
- Lease cost reasonable
- Service companies in local area
- Population generally friendly to oil and gas production
- Permanent population of workers
- Production facilities and pipelines in place (hook-up costs low)

- **Knowledge base**

- Long history of exploration and production in the area
- Data readily accessible

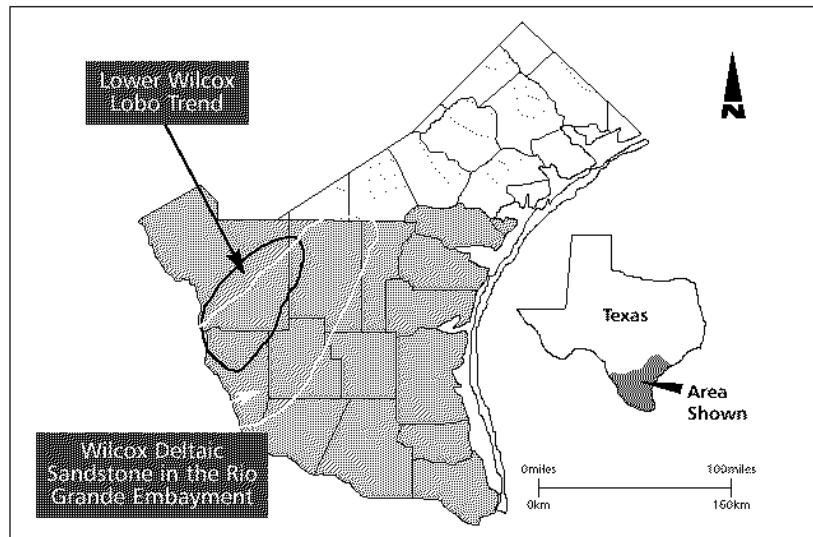


Figure 7-2. Wilcox Trends in Texas RRC District 4

For these reasons, the Emerald Gas program of drilling in this prolific play has a very good chance of success and of creating share holder value.

Regional Geology and Geologic Setting – Western Gulf of Mexico

This short narration of depositional history is limited to the western and southern extension of the Gulf of Mexico (GOM). It includes only rock units in which Emerald is currently interested – that being from the end of Cretaceous system upward to the end of the Oligocene Series. It is important in that its understanding sets the stage for early and continued hydrocarbon exploration in the area. It also is instructive in understanding why, in almost every prospect description to follow, there are numerous targets throughout the sedimentary sequence, although there are over riding primary targets depending upon the position with the greater GOM framework.

The lower Wilcox is deposited on the underlying Midway shales which lay unconformably on Cretaceous aged rocks, predominately a carbonate sequence. On going Larimide tectonism elevated the Cretaceous margin and promoted the rapid deposition of clastic sediment along the carbonate margin transition. Episodic uplift and subsequent erosion have given rise to the Paleocene through Oligocene sedimentary sequences that are now observed. Complex depositional/erosional and structural episodes resulted in the very complex geologic situation observed today in the numerous well bores and on untold seismic profiles and surveys. This is especially true of the "Lobo" trend.

The Middle Wilcox, which includes rock units from late Paleocene time to early Eocene, is characterized by similar lithologies as the Lower Wilcox, but their attendant structure and depositional history is relatively simpler. Rocks of Middle Wilcox age were deposited by two transgressive depositional series. Complex fluvial/deltaic systems provided enough sediment to prograde the shelf system over 30 kilometers beyond the previous Lower Wilcox Shelf margin. Expansion across growth faults has resulted in some of today's most important hydrocarbon accumulations. Because of the relative quieting of the Larimide tectonism, structure in this Middle Wilcox sequence is not as complex as the preceding Lower Wilcox sequence, a fact which has also made these rock units an easier target for hydrocarbon exploration.

Upper Wilcox deposition changed little from the model described above for the Middle Wilcox. Along the western Gulf margin (Emerald's area of interest here), a lack of deposition and erosion dominated the slope. Submarine canyons re-developed and several submarine fans are theorized on the basin floor at the mouths of these canyons. The Upper Wilcox is overlain by the Reklaw Shale and Queen City Sands of Middle Eocene (see stratigraphic chart).

The Middle Eocene is composed of two relatively minor depositional periods, the Queen City and the Sparta sequences. Deposition was focused on the northwest gulf margin in wave dominated pro-grading delta systems. They advanced the delta front by 20 to 30 kilometers.

EOCENE	56.5 (21.1)	Priabonian	Jackson	Whitsett		
				Mc Elroy		
				Wellborn		
				Caddell		
				Moody's Branch		
		Bartonian	Claiborne	Yegua		*
				Cook Mtn.		*
		Lutetian	Claiborne	Stone City		*
				Sparta		
				Weches Shale		
				Queen City		*
				Reklaw Shale		*
		Ypresian	Wilcox	Carrizo Wilcox		*
				Sabine Town		*
				Rockdale		
Sequin				*		
PALEOCENE	65.0 (8.5)	Thanetian	Midway	Wills Point		
				Danian	Kinkaid	

These delta systems are responsible for a thick, sand-rich zone which extends northeastward from our area of interest, and for sandy tidal facies which extend along the pro-grading shelf margin. Queen City sands are secondary targets of several Lower Wilcox prospects as presented on the following pages.

The Oligocene, which includes the well known stratigraphic names of Frio and Vicksburg, was a time of massive sediment influx in both the USA and Mexico portions of the Gulf. The combined uplift and explosive volcanism created a long-lived out pouring of recycled sediment, volcanic ash and volcanoclastic rocks in the western and central Gulf of Mexico. The predominance of westerly sources is reflected in the composition, volume and sandiness of the Frio and Vicksburg formations, which have yielded good hydrocarbon producing rock units of today.

Given the above, Figure 7-3 shows a stratigraphic chart for South Texas onshore. The symbols show the lithology type (sand vs. shale) and asterisks in the right-hand column show known hydrocarbon productive units.

Figure 7-3. Stratigraphic Chart South Texas (after Teal Energy)

Prospect Discussions

Pandura Prospect, Webb County Texas

Prospect Description

The Pandura prospect is located in the center of the Lobo Gas Trend in Webb County, Texas, near the USA/Mexican border and just northwest of the Webb/Zapata County line. It lies within the Maria H. Llanos gas field. It is, therefore, a "step-out development well" rather than an exploratory well. The main target of this test is the "6400 sand" which is probably stratigraphically equivalent to what is usually termed the "Lobo 1 Sand". Secondary targets include Lobo 3 and Lobo 6 sand packages as well as the underlying Navarro Sand.

Figure 7-4, below shows the location of the lease with pertinent wells indicated.

Geography/Infrastructure/History/Data

The Maria H. Llanos gas field, discovered in 1976, lies adjacent to the Rio Grande River and extends across the river into Mexico. It lies adjacent to the Laredo field which has produced 740 Bcf of gas and 4 million barrels of condensate since its discovery in 1976. On the Mexican side, Pemex is still developing their Pandura, Corindon, and Oasis gas fields which produce from both the Lobo and deeper Navarro sands. These fields were discovered in 1972 and were the precursor to Lobo discoveries on the USA side in 1973. Production from the adjacent Mexican fields is reported to be over 300 Bcf with individual well flow rates ranging from <1 to over 10 Mmcf gas per day.

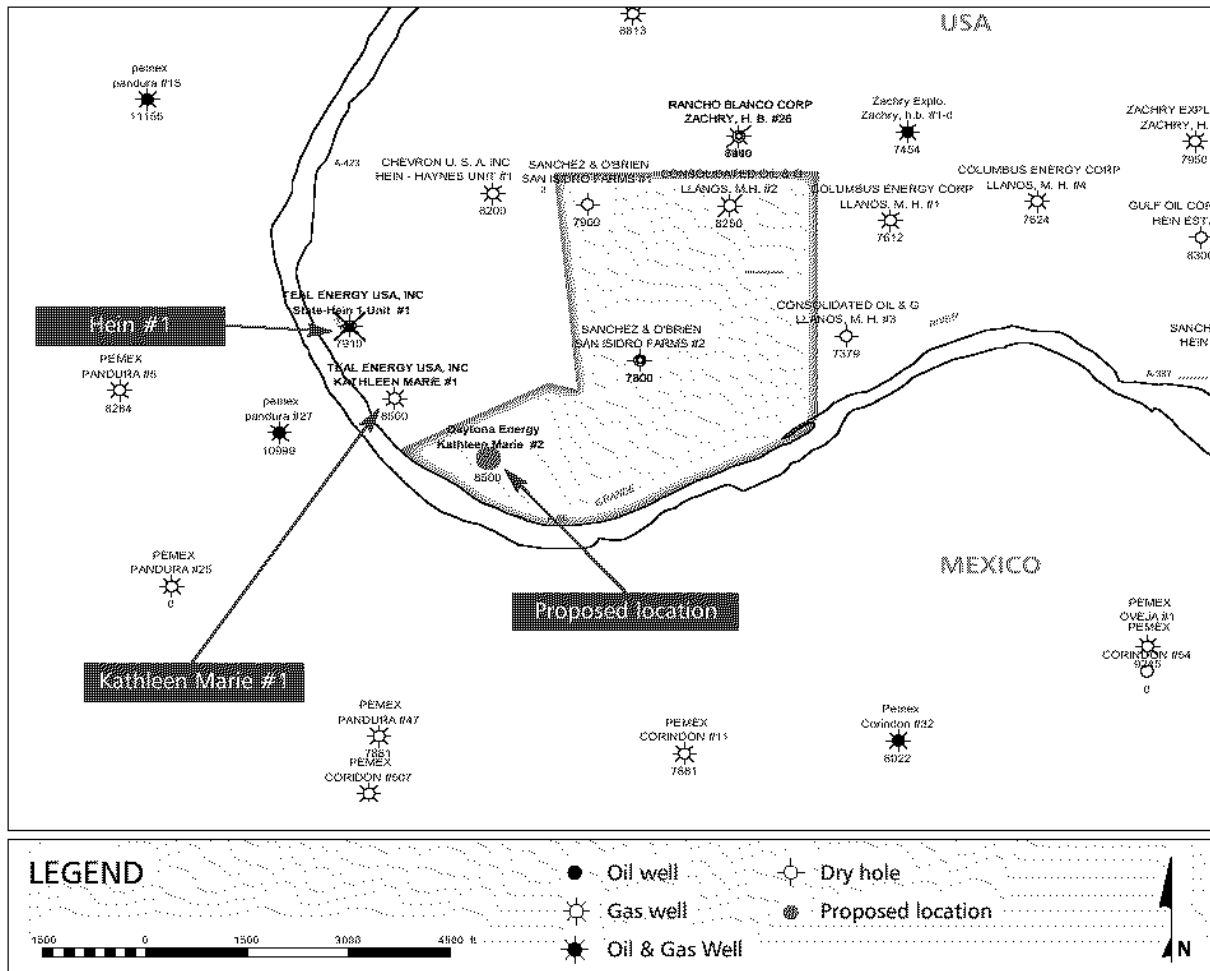


Figure 7-4. **Location Map.** Parallel blue lines depict the Rio Grande River; to the west and south lies Mexico; to the north and east lay Webb County, Texas. The blue depicts the operators lease hold, while the Kathleen Marie #1 and State Hein wells shown will be discussed extensively in the following paragraphs.

Topography is relatively flat, providing easy access to the field and to services. An existing pipeline servicing the current production has remaining capacity to handle production from the proposed test. Oil and gas field service contractors as well as drilling contractors are available in nearby Laredo, Texas. Contractors are available on a permanent basis and are very familiar with services required for Lobo development and production.

Teal Energy has drilled two successful wells on the prospect, the Kathleen-Marie #1 to a TD of 8,500 feet in August, 1999, and the State-Hein #1 to a TD of 7,910 feet in August, 2001. Both wells were completed as gas producers in the "6400 Sand"; the former tested 521 Mcf per day before frac and 2212 Mcf per day after frac with ultimate recoverable reserves of over 3 Bcf, and the latter flowed 357 Mcf with ultimate recoverable reserves of over 1 Bcf. Additionally, Chevron drilled the Hein-Hayes Unit #1 in November, 1978, and completed it in the Lobo 3 Sand; cumulative production totals 1.4 Bcf and over 4,200 BO. These well locations are shown on the accompanying maps below.

Prospect Description

The Pandura Prospect is defined as a faulted structural high at the 6400 Sand level, the primary target of the proposed test. There may be some independent (not fault bounded) structural closure at the apex of the structure, but fault boundaries create the major portion of closure (fault closure). See Figure 7-5 below.

The 6400' foot sand is a fill sequence that post-dates deposition of the primary Lobo sands. It is approximately equivalent in age to the Lobo 1 series sands. The sand is not present in wells to the north, likely from non-deposition. It is also absent from the Pemex Oveja wells to the south. Remaining potential is to the south and east of the Kathleen Marie well. The orange contours (contour interval 10 feet) give the net sand count or sand thickness at the target horizon. The area colored yellow depicts the area where net sand exceeds 15 feet. Black contours show actual structure reference mean sea level (contour interval 50 feet). The dark brown line (not actually a contour line since it does not connect points of equal value) encloses the area thought to contain remaining gas reserves. This line follows the physiographic boundary of the Rio

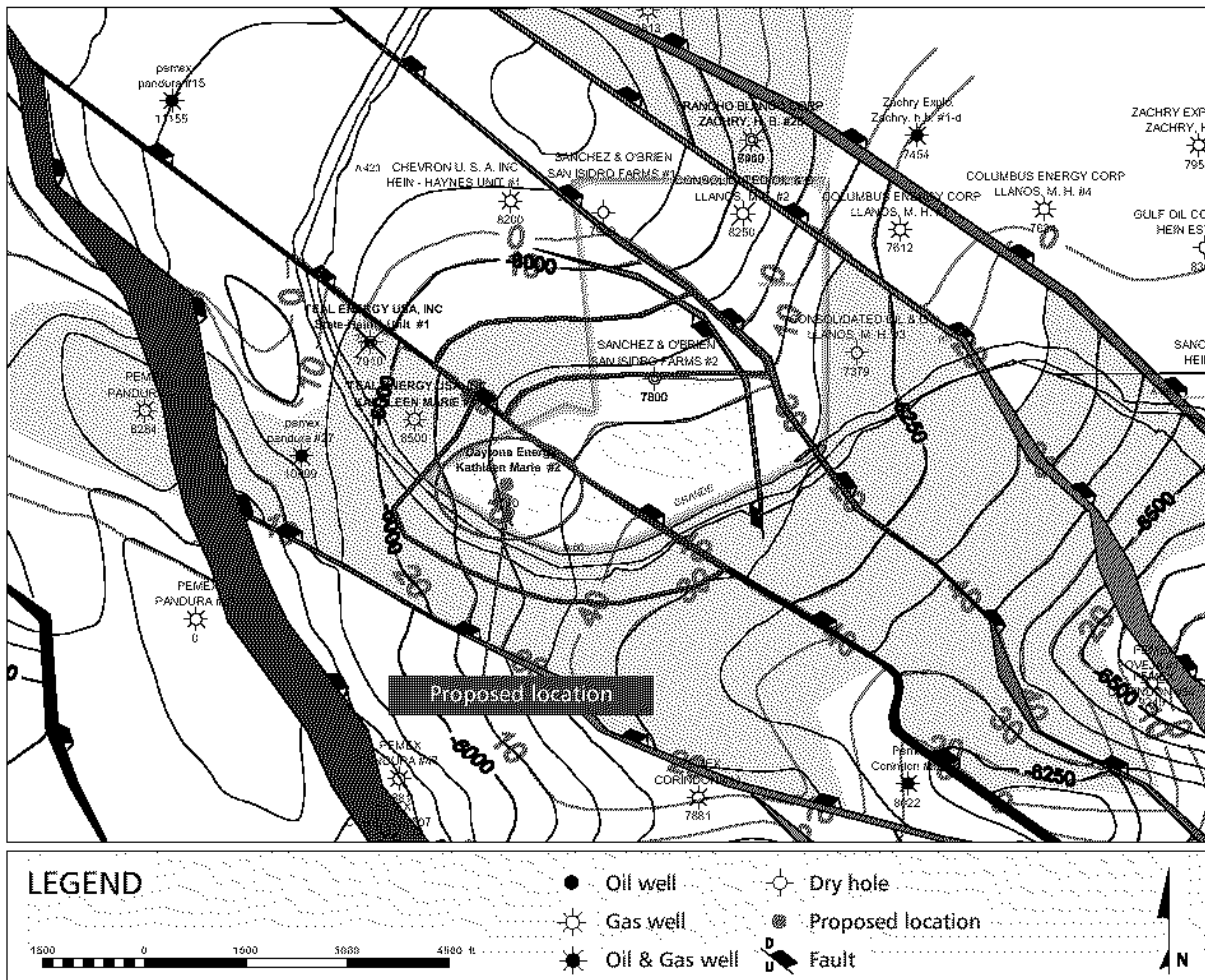


Figure 7-5. Lobo unconformity structure (6400' sand). Structural contours (black) and Net Sand (Yellow) Distribution. Thick brown contour encloses potential remaining reserves (after Krancer and Glenn, 2003).

Grande River, the structural contours as defined from LKG (lowest known gas) and skirts the area of producing wells since sands at such locations are at least partially drained. The map (as is the case with all maps shown here) was constructed incorporating all data, including well bore, reservoir, seismic, and production data as well as the obvious physiographic data (the Rio Grande River is shown on the map as two sub-parallel blue lines). Seismic data includes approximately 30 kilometers of existing 2D data and incorporates results of a 3D survey shot by Pemex, which undershoots the prospect area. The blue shaded area depicts the land position held by the current operators, with whom Emerald has partnered. As indicated on the map, the area thought to hold remaining reserves is comprised of 282 acres and may contain up to 9 Bcf in the primary target sand. Should secondary target sands prove productive (Lobo 3, Lobo 6, and the Navarro Sand), reserves could exceed 20 Bcf of gas.

The Lobo 3 sands are secondary targets. They are depicted below in Figure 7-6.

The Lobo 3 sand locally can be composed of as many as four separate sand lobes designated Lobo 3, Lobo 3a, etc., the entire package ranging from 21 to 65 feet gross sand thickness. The area highlighted in yellow, Figure 7-6, shows a sand "fairway" where the gross thickness of Lobo 3 sands can be expected to exceed 60 feet. Based on current data, the dark brown line defines an area where Lobo 3 production could reasonably be expected. The total area within this boundary is approximately 700 acres. It excludes areas already being drained by existing wells. The San Isidro Farms #2 well shows 23 feet of gross Lobo 3 sands having porosities of over 12 percent and water saturations of less than 57 percent. Similarly, the Kathleen Marie well calculates over 14 feet of sand for the same interval. No apparent water table is discernable in either well. Using a 1:3 ratio of net to gross sands and normal in-place reserves for typical Lobo sands, reserves for this interval range from 7 to 13 Bcf. These reserves are, however, less assured than those of the 6400 sand package.

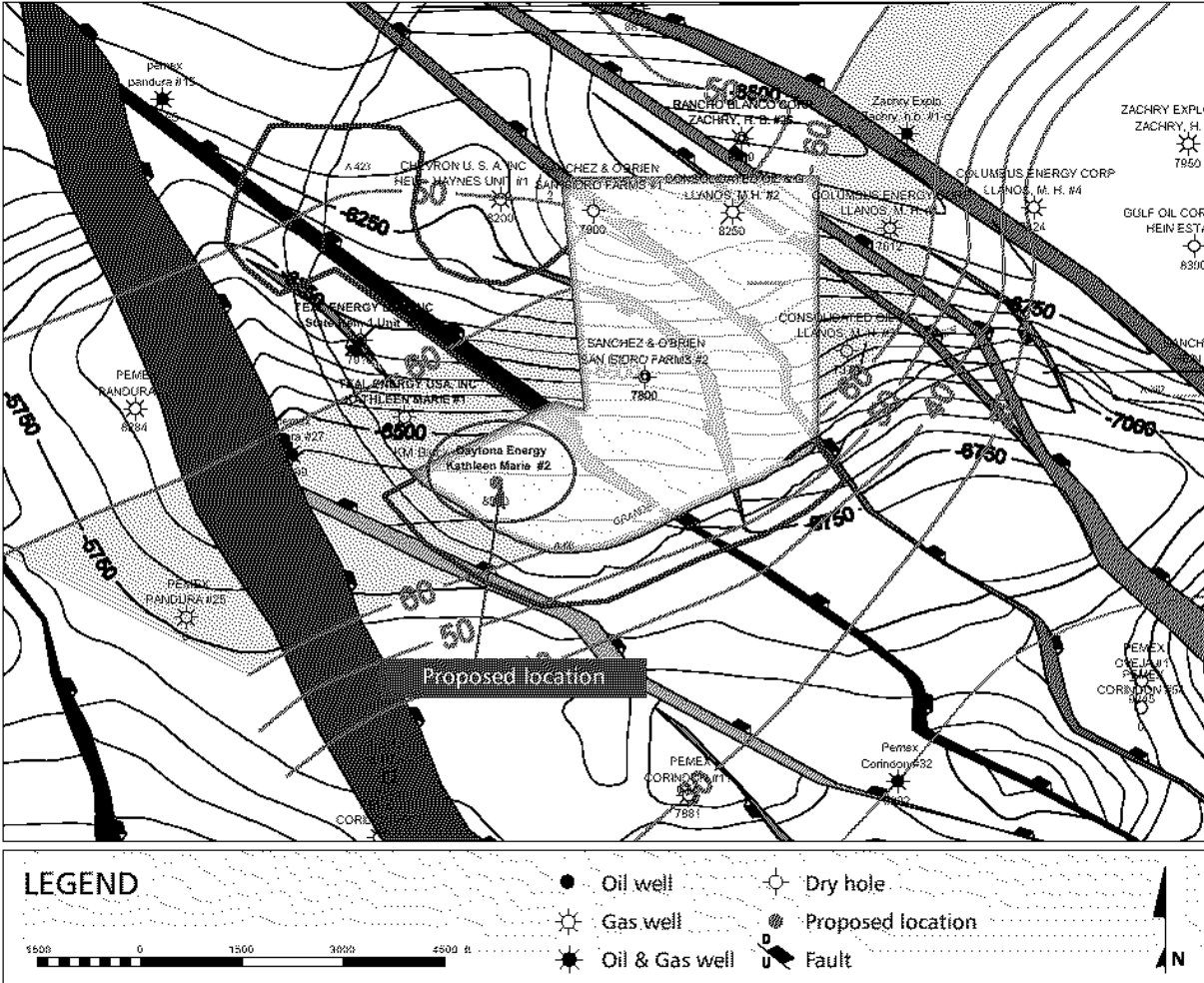


Figure 7-6. Lobo 3. Structure (black) and sand isopach (orange) thick brown contour outlines potential remaining gas area. (after Krancer and Glenn, 2003)

The Lobo 6 sand structure is depicted below in Figure 7-7.

Sand distribution within the Lobo 6 is poorly constrained in the prospect area due to a scarcity of wells drilled deep enough to reach this interval and limited access to Mexican well logs in adjacent wells across the international border. As in previous maps, the area in yellow depicts 480 acres where Lobo 6 production could be reasonably expected. Well data indicates thick Lobo 6 sands east of the two Teal wells, however the lack of completions in the area indicates there is probably poor reservoir conditions at this level. The Sanchez-O'Brien and San Isidro Farms #1 and 2 wells encountered a thick sequence that appear on logs to have high water saturations. However, using a net to gross sand ratio of 1:10, the reserve potential for the Lobo 6 at the prospect area ranges from 2 to 4 Bcf. Such reserves should be considered as possible or "exploratory" reserves and have only a 10 percent chance of actually being produced.

Structure on the Upper Cretaceous Navarro Sand is shown below in Figure 7-8. Production from this relatively deep sand (7500 feet subsea) is very good on the Mexican side of the international border. The lack of data from those wells and the lack of a complete modern 3D seismic survey over the prospect have limited exploration work here with respect to this target. The Pandura #5 well on the Mexican side of the border is reported to have over 18 feet of net Navarro gas sand and flow rates exceeding 3Mmcf gas per day and cumulative totals to date of over 1.6 Bcf gas.

The presence or absence of the Navarro sands is likely due to its depositional history and/or subsequent erosion. It lies directly beneath the Cretaceous-Tertiary boundary and, therefore was greatly impacted by the Lobo shelf collapse and displacement. Had sands been present, erosion likely scrubbed them from the resulting highs within the Cretaceous and re-deposited them in intervening lows. This may account for the apparent lack of thick Navarro aged sands in the immediate prospect area, it being relatively high to producing counterparts on the Mexican side of the Rio Grande River. Also, the Kathleen Marie well contains 3 net feet of gas filled Navarro sand as opposed to the Hein well, which has no Navarro present in the well bore; the Hein well being some 160 feet high to the Kathleen Marie well at this stratigraphic marker.

Obviously, the Navarro sand presents an inviting target when found in thickness greater than 10 feet. While no reserves have been calculated for the Navarro in the prospect area, 10 feet of typical Navarro sand would add 2 to 5 Bcf gas for each well drilled.

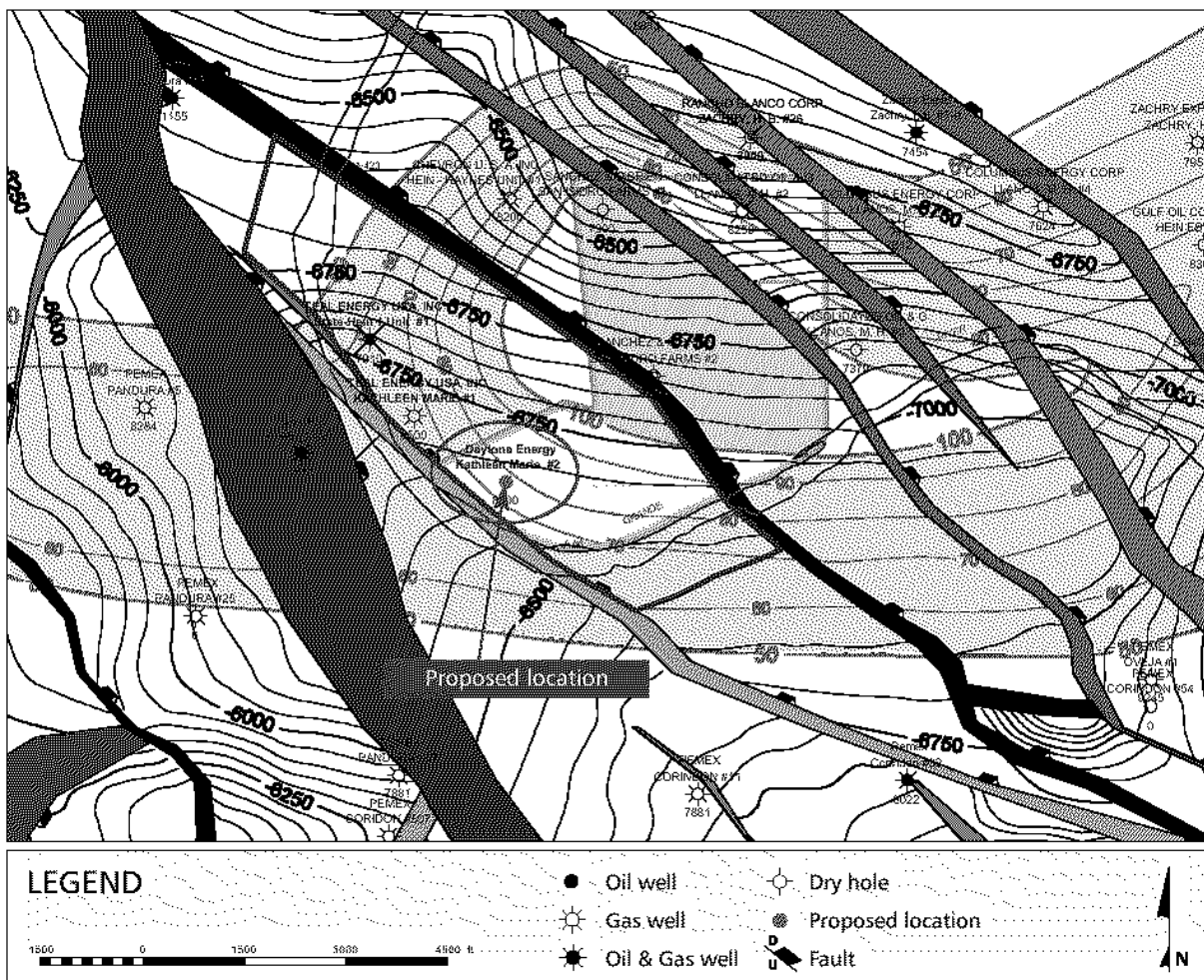


Figure 7-7. Lobo 6. Structure and sand isopach (orange), potential closure in brown. (after Krancer and Glenn, 2003)

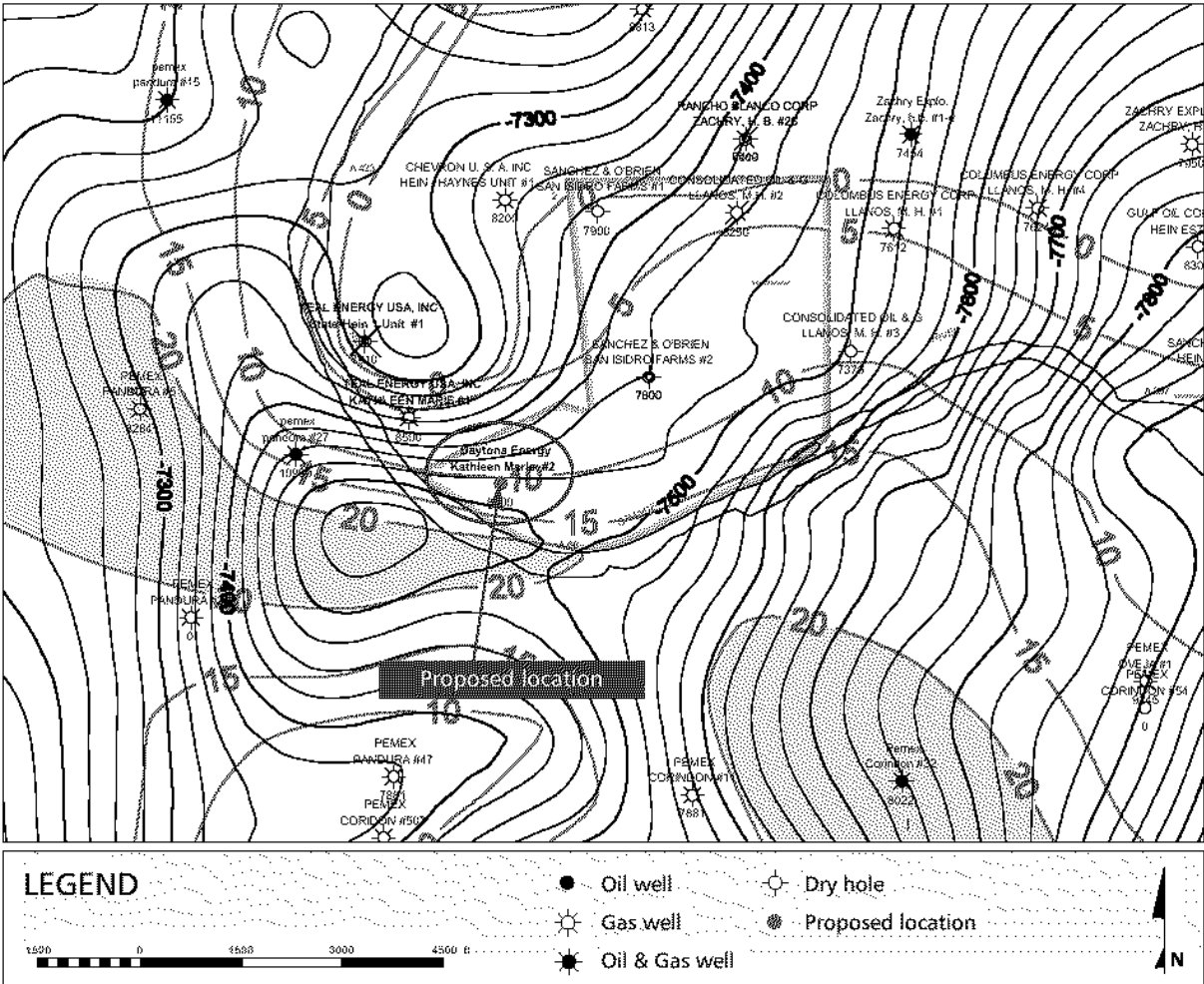


Figure 7-8. Near Top Cretaceous. Structure and Navaho Sand Isopach. Well annotation: Well annotation is the top Cretaceous subsea and Navaho Sand thickness. Structure generated from seismic first continuous marker in Cretaceous. (after Krancer and Glenn, 2003)

Prospect Land Map

Figure 7-9 below illustrates the current land position held by the operator, and pertinent well locations.

The locations are based upon an overlay of the three structure maps shown above (Figures 7-5, 7-6 and 7-7). At least one southwestern location should test to the Navaho; the remaining two southerly tests need only test the 6400' sand. The three northerly and Hein-lease wells should drill deep enough to test to the Lobo 6 sand. The first drilling location will be near the intersection of two 2D seismic lines, SOB-SI-87-1 and EOG-90-01.

Drilling/Production/Marketing

Proposed total depth is 7700 feet with casing set as shown above. Total cost of the well is estimated at US\$1,298,000. Completion cost is estimated to be US\$600,000, but will depend upon the size and type of frac deemed appropriate and necessary for optimum production. Flow lines, compression and connection to the main pipeline in the area are expected to require 30 days at a cost of US\$30,000.

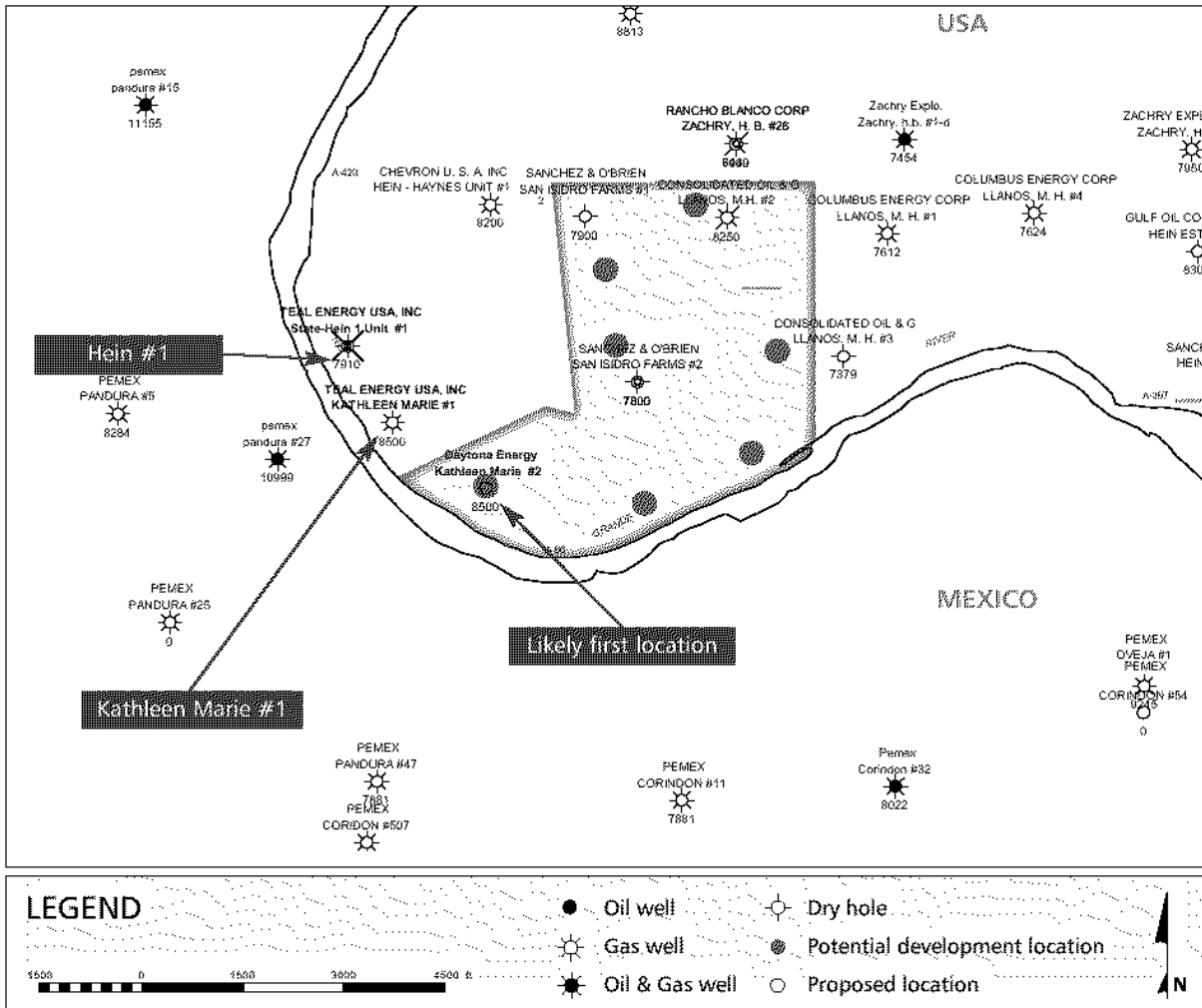


Figure 7-9. Land Position and Possible Development locations. Development locations shown in orange. (after Krancer and Glenn, 2003)

Conclusion/Geologic Risk

The Pandura prospect is sound. It is based upon reliable well bore, production, and seismic information. It has geologic risk normally associated with step-out wells in known and established fields. Based on the data presented to Emerald and reviewed here, the next well to be drilled in the field has a better than 80 percent chance of success, the risk being the presence of the objective sands and the required structural/fault closure. Risk was derived by the following method:

- Possibility of structure present as mapped 90 % or .9
- Possibility of presence of reservoir as predicted 90 % or .9
- Possibility of hydrocarbon source 100 % or 1.0
- Possibility of migration and timing of emplacement 100% or 1.0

These factors multiplied together yield .81 or 81 percent possibility of success as predicted. The Lobo Gas Trend itself is a proven play that has been developed continually from its discovery on the Mexican side of the border in 1970 and its first discovery on the USA side in 1973. A first successful well will lead to development of the structure as shown above and could entail as many as seven additional wells based on the current accepted spacing. Total reserves for the primary 6400 Sand could exceed 13 Bcf. Should secondary targets be present, reserves could exceed 20 Bcf.

Progresso Prospect, Hidalgo County Texas

Prospect Location

The Progresso prospect is located in the heart of the Frio Trend in southeastern Hidalgo County, Texas, just north of the Rio Grande River and the USA/Mexican International Border. See Figure 7-10. The main targets of this prospect are the hydrocarbon rich middle and lower Frio Sands of Oligocene age. The sands occur at a depth of approximately 12,000 feet in the prospect area. The prospect is a structural high controlled by seismic data and nearby well control, and has potential reserves of 30 Bcf. If successful, production rates on a per-well basis range from 5 to 10 Mmcf gas per day from these sands.

Background/History/Geologic Setting

The Frio Formation is a prolific producer of hydrocarbons. It has produced more than 6 billion barrels of oil and over 70 Tcf gas, or over 17 billion BOE (Barrels Oil Equivalent). Production from Frio sands dates from the discovery of Spindletop, near Beaumont, Texas, in September, 1901. Early exploration for Frio sands was conducted mainly by inspection of the earth's surface. Topography often indicated the presence of salt diapirism and relatively shallow oil entrapment. Also, surface leaks of both oil and gas resulted in the discovery of several fields. This type of exploration lasted up to the middle 1920's when it was replaced by gravimetric surveys which could pinpoint the location, if not exact boundaries, of salt domes. The use of potential fields methods of geophysics (gravity and, to a lesser extent, magnetic methods) dominated exploration in the area through the early 1940's. Today, sophisticated geophysical methods (3D seismic acquisition and computer aided interpretation) are combined with sub-surface geologic methods to further explore these trends.

The Frio Formation is one of the major pro-gradational sedimentary wedges of the Texas Gulf coastal plain. It contains sediments which are over 4,500 meters thick of interfingering marine and non-marine sands and shales and extends basinward over an area 80 kilometers wide. The Frio is composed of two large fluvial systems and their numerous associated deltaic systems. Structural history is dominated by syn-depositional deformation of the underlying Jurassic salt, its mobilization and the formation of salt induced structures.

Deep Frio sands are believed to be sourced by adjacent shales which are highly gas prone. Sourcing of shallower Frio sands, where interbedded shales are immature for hydrocarbon generation requires deeper sources. As with most of the Gulf Coast, source and migration of hydrocarbons has never been considered problematic with respect to Frio production.

Structurally, Frio hydrocarbons are trapped in various ways, including salt structures and salt diapirism, growth faulting, shale ridges and diapirism, structural anticlines and shale cored anticlines.

Unlike the deeper Wilcox sands, Frio sands are loosely consolidated and, therefore, possess porosities that may exceed 30 percent. Attendant permeability is also much higher, ranging from a few millidarcies to over several darcies, the average being around 250 md. At the proposed depth for the current test, one can expect porosities of 16 to 25 percent as shown on electric logs from wells in the area.

Progresso Prospect

The Progresso Prospect is a large faulted anticline as shown on Figure 7-11. The structure is a result of syn-depositional growth faulting within the Frio section. Fault blocks, in response to sediment loading, have developed along the depositional front. They are down-thrown to the basin and have rotated along their glide plane which, if followed deep within the sediment pile, become listric or sub parallel to bedding planes. The rotation along the fault plane results in strata being rotated in a counter-regional dip manner, thus setting up a trap for the accumulation of hydrocarbons which may be rising through the system. The deeper the fault is traced, the more pronounced the counter-regional dip becomes. Up-dip trapping is formed by juxtaposition of sands and shales across the growth fault and/or the mylonitization and sealing of sediments within the fault zone itself. Lateral closure (north-south) is provided by local structural dip away from the crest of the structure. Top seals are over-lying shale sequences.

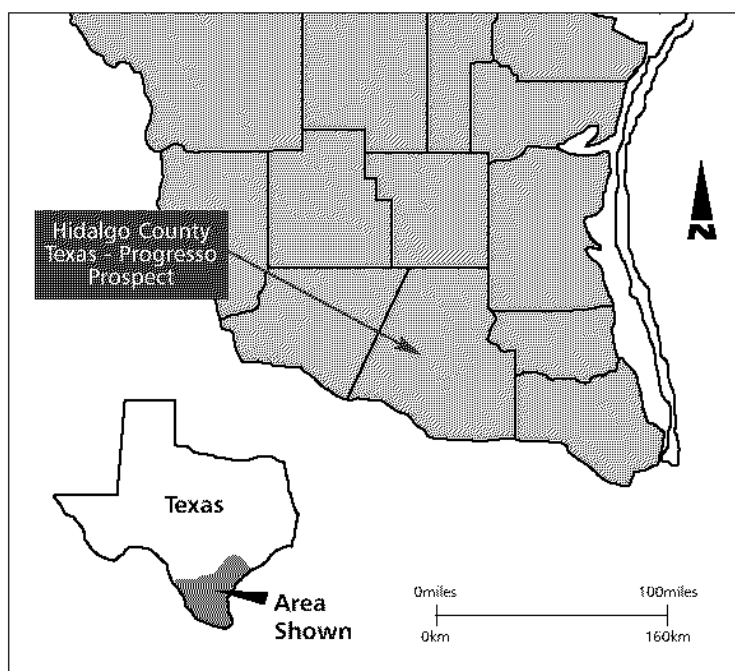


Figure 7-10. Location Map Progresso Prospect

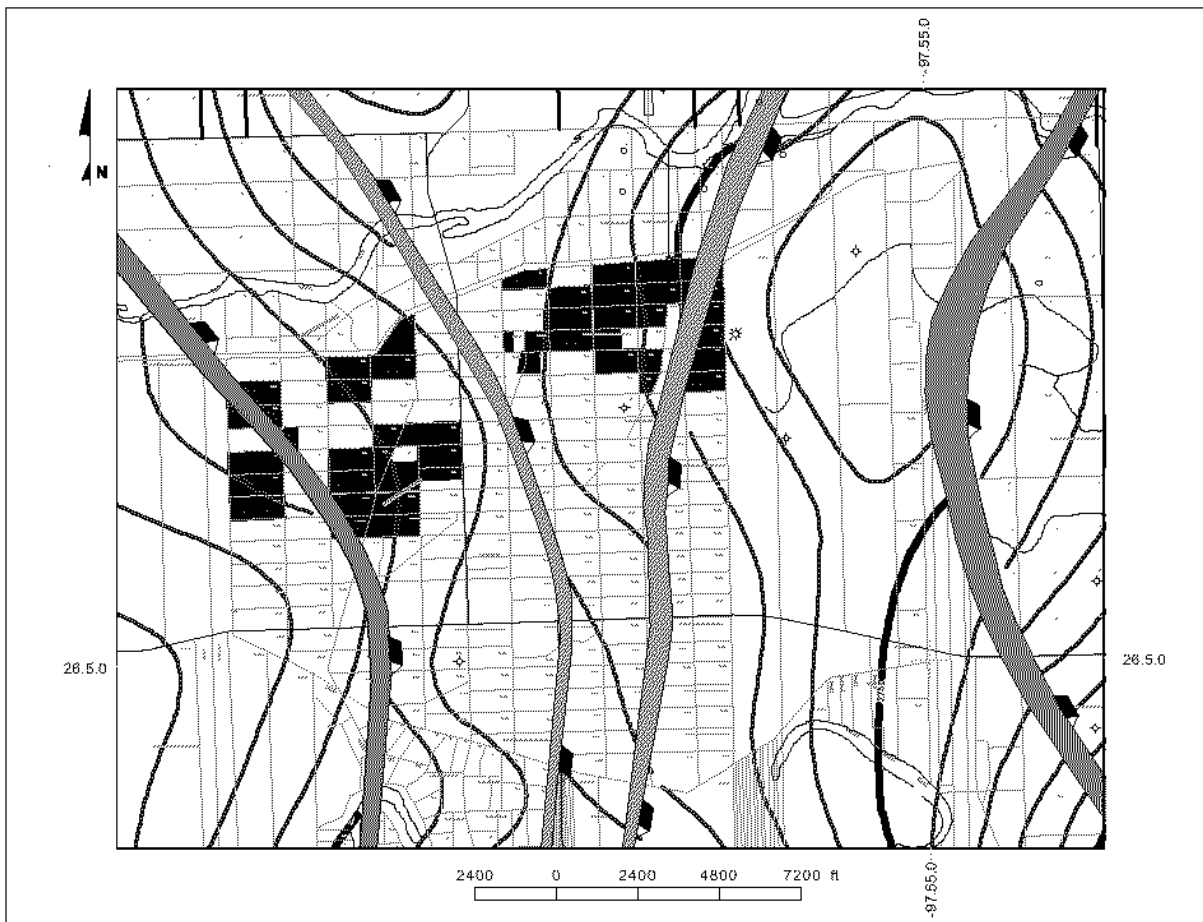


Figure 7-11. **Frio Structure Map.** Growth faulting is shown trending north-south thru the prospect area, green on the west to tan on the east. Lease position is shown in blue. (after Teal Energy)

The seismic section shown in Figure 7-12, traverses the prospect area in an east west sense. The growth faults depicted on the map can be seen here in cross section. Note that as they become deeper in the section, they become more parallel to depositional strata, and, ultimately, follow the bedding planes themselves. At that point the, the fault plane becomes a "glide path" and displaces deeper sediments in a lateral sense rather than a vertical sense. It is common for fault planes to coalesce and become one at depth. Such is the case at Progresso as is observed in Figure 7-12. At Progresso, one sees younger growth faults cutting older growth faults; growth on the older fault then ceases, and, with continued sedimentation, a buried fault is developed. Such situations are especially favorable for the entrapment of hydrocarbons since continuous sand/shale sequences are subsequently laid down over the rotated, trapping sands, sealing them from vertical leakage. Such is the case with both the red colored fault and blue colored fault.

Also apparent on Figure 7-12 are the very strong "events" or amplitudes within the Frio section. While not definitive, such strengthening of amplitudes may indicate the presence of hydrocarbons. Should this be the case, lower velocity gas sands are in contact with relatively higher velocity water sands or with consolidated shales creating an interface with greater than normal reflectivity. Another positive feature is the truncations of these high amplitude events by the large and relatively young growth fault (colored orange). Such truncation most likely indicates that sand bodies on the up-thrown (and trapping) side of the fault are sealed across the fault by a more mundane shale section. The seismic section, therefore, presents a favorable picture for hydrocarbon presence as well as entrapment at the proposed drilling location. In addition to the seismic data depicted, there are additional seismic data in the prospect area which this author has not inspected due to administrative practices of the operator. It is also reported by the operator that remapping of the prospect with the additional seismic data enhances this prospect and results in a second closure within the area of interest. This has not been confirmed by the author, although I have no reason to discount this report.

The prospect is set up, in terms of prediction of sand, by the nearby Shell Drawe # 1 well (Figure 7-13). This well shows a series of electric logs on the Frio section of this well. While the sands depicted on this log appear wet, it is down-dip to the proposed location, but it does indicate that sand bodies are well developed at the targeted horizons. Over 250 feet of gross sand interval is shown on these logs. However, mapping indicates that the well is not well situated for entrapment of hydrocarbons migrating through the system.

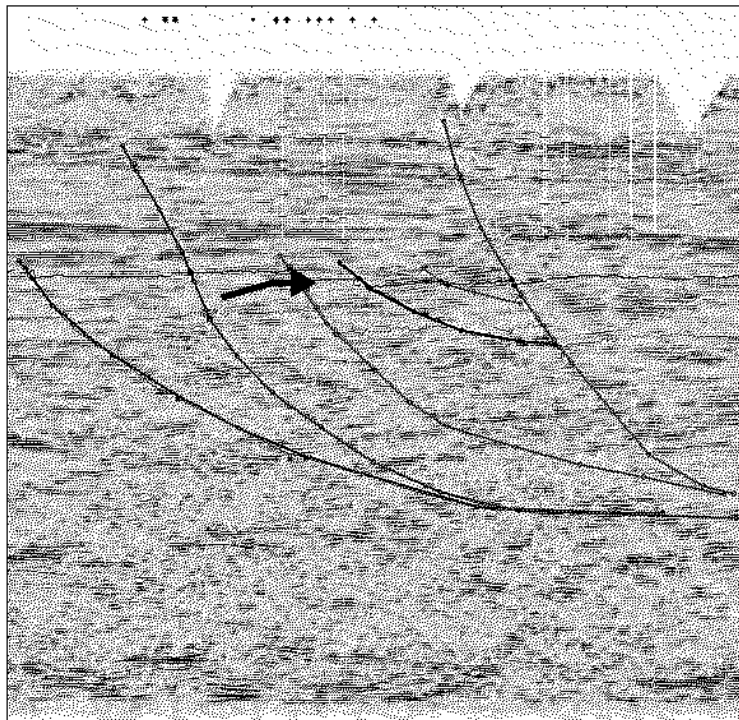


Figure 7-12. **Seismic section.** Traverses Progresso from west to east, showing growth faulting and the effect of thickening and rotation of sediments, creating hydrocarbon traps. (after Teal Energy)

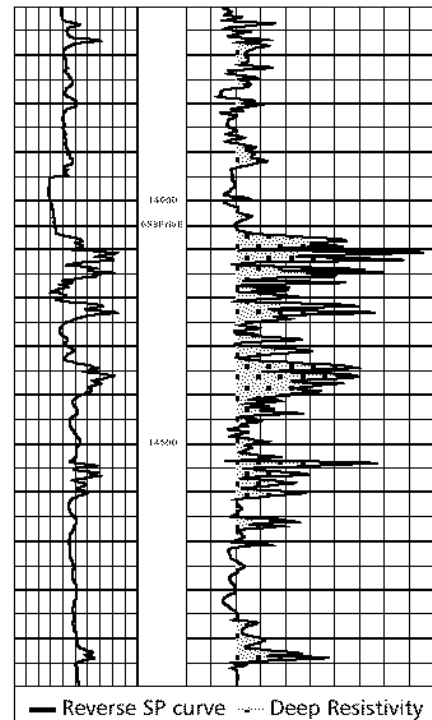


Figure 7-13. **Shell Drawe # 1 well (13500-15000 feet).** Showing well developed sand package within the Frio. (after Teal Energy)

The Shell Drawe # 1 well, shows a well developed sand package beginning at a depth of approximately 14,050 feet and continuing past 14,900 feet, with at least 250 feet of net sand with porosities exceeding 15 percent. A test at Progresso will attempt to get up dip to this well by approximately 1,500 feet and test the same sand series as seen in this well bore.

Drilling and participation

The proposed well will drill to 12,500 feet and test the Middle and Lower Frio sands as depicted above. The DHC (dry-hole-cost) of this test is expected to be US\$1.8MM, while the CWC (completed-well-cost) is expected to total approximately US\$2.4MM. Emerald's partner, and operator of the well, holds approximately 500 acres on the prospect.

Emerald will take a promoted 30 percent interest in the well, paying a 15 percent premium on the first well in order to participate on a ground floor basis in completion and on subsequent wells. A successful test will prove up 5 to 10 Bcf gas and subsequent locations on the prospect could prove up over 30 Bcf gas. Such reserves, at this stage, are considered as "possible" or "exploratory" reserves and, as such are thought to be only 10 percent assured, as opposed to "proven" reserves, which are thought to be 90 percent assured.

North Sharon Prospect

Background/History

The North Sharon Prospect is located in Jasper, County, in the state of Mississippi, USA. Oil and gas production in the state is mainly from the Mississippi Salt Basin, the largest of interior basins of the onshore Gulf of Mexico coastal plain.

Annual oil production for the state peaked in 1970 with over 35 million barrels of oil produced, and proven reserves are pegged at 169 million barrels of oil at year end 2003 (*EIA website*). Production has steadily declined from that date to its current level of just over 17 million barrels per year, or about 47,000 barrels per day. Jasper is the leading county of the State of Mississippi in terms of oil production, having produced 3.4 MMbc in 2004. Annual production of gas in Mississippi is 162 Mmcf. Proven gas reserves for the state at year end 2004 were 691 Bcf.

The Mississippi Interior Salt Basin is the most productive of all interior basins in southeastern USA. Oil and gas exploration began in the early 1900's and continues today. Most of today's operators are "independents" i.e. non-vertically integrated companies. Most major oil companies have, in recent years, left the interior basins due to production rates, regulatory considerations, and small per well recoverable reserves as compared to younger and deeper horizons in off-shore waters. This fact has opened up the interior basins to players of all sizes, from individuals to large exploration and production companies.

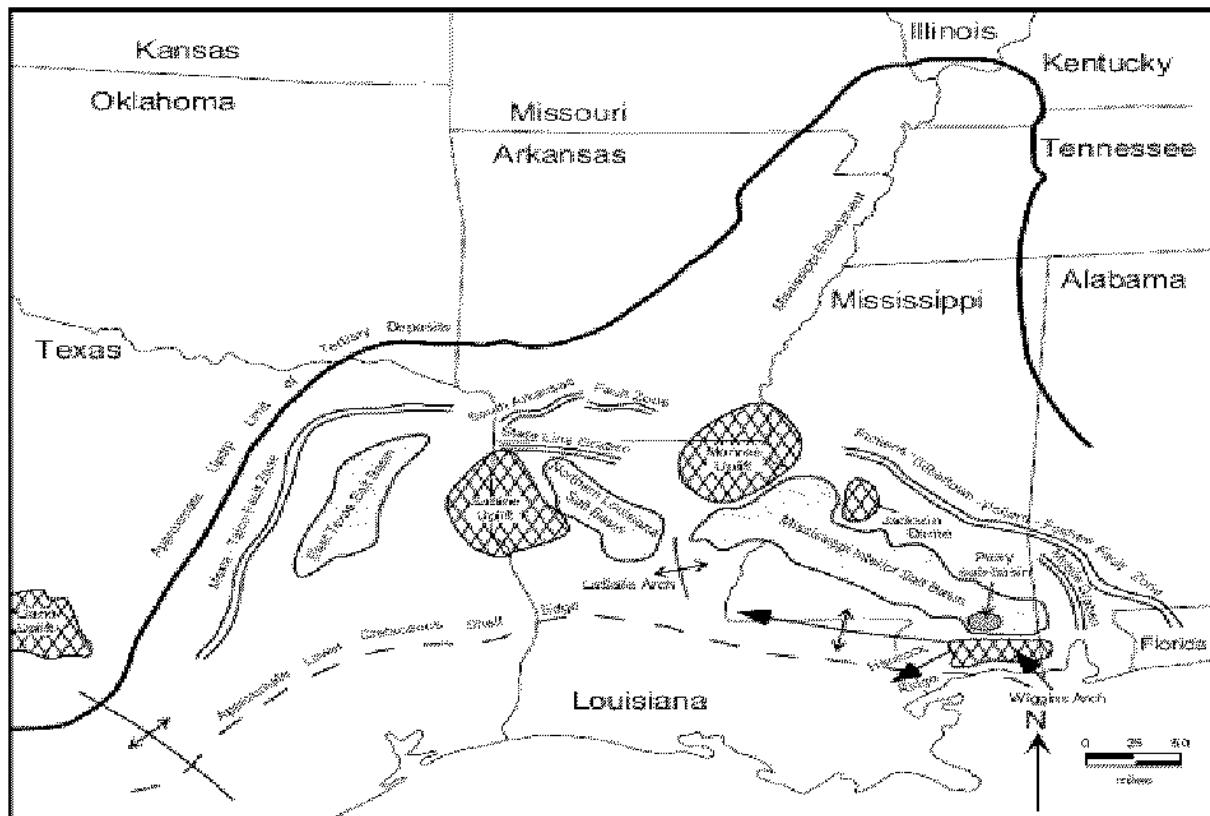


Figure 7-14. Basins and Uplifts – northern Gulf Coastal Plain. (from Mancini 1999)

Regional Geology

The Mississippi Salt basin is the largest of the series of interior “sag basins” which rim the Gulf of Mexico (see Figure 7-14). Sag basins were formed along the shelf/margin transition during basin development in late Triassic time, coinciding with the opening of the Gulf of Mexico. The basins are said to have been “restricted” due to their separation from open waters and circulation of fresh sea waters associated with the Gulf. Deposition, controlled by both the restricted nature of the basins and the arid climate, was dominated by shallow water carbonates, evaporites, and mudstones through out most of middle and late Mesozoic time. This series of evaporitic sediments are absent over crustal highs, but attain thicknesses of over 5,000 feet in the basin interior. (after Mancini et al., 1999)

In middle Jurassic time, continental deposits were derived by erosion of highland areas marginal to the basins. These sediments range from alluvial fan deposits in up-dip positions (regional basin margins), to wadi-type and large dune deposits in down-dip positions (regional basin interiors). Due to sediment loading, halokinesis, or structuring due to movement of underlying salt deposits, began to play a major role in basin definition. In late Jurassic time, a marine transgression coupled with rapid local subsidence, which outpaced deposition, gave rise to localized areas of deep water limestones and chalks. As deposition caught up with subsidence, high energy porous carbonates and carbonate sands of the Smackover formation were deposited along basin margins. These rocks, today, are some of the best hydrocarbon reservoirs of the area. Carbonate deposition continued until waters again became restricted during late Jurassic time and evaporites again dominated, resulting in the thick evaporitic section of the Haynesville formation. Complex paleo-topography and the development of the Wiggins arch, a feature rooted in crustal rock (see Figure 7-14), resulted in the deposition of a variety of sediments which comprise the Haynesville Formation. During latest Jurassic and earliest Cretaceous time, continental deltaic sediments of the Cotton Valley Formation filled in low lying areas.

Middle Cretaceous time saw the return of carbonate deposition, reefal development, and evaporitic conditions in shallow seas resulting in a wide range of lithologies. A major unconformity, a period of non-deposition and erosion, is believed to have occurred at the Middle/Late Cretaceous boundary, although there are areas of continual sedimentation in southeastern Mississippi. A major rise in sea level during Late Cretaceous time saw the deposition of marine shales and deep water chalks. It is this chalk sequence of the Selma group which the North Sharon Prospect targets. Volcanism also began in Late Cretaceous time and the well known “Jackson Gas Rock” is a result of reefal atoll development on the Jackson Dome, a result of volcanism. These units were capped by deposition of the Midway shales in early Tertiary time followed by progradation of the Wilcox sand/shale sequence, which was discussed earlier.

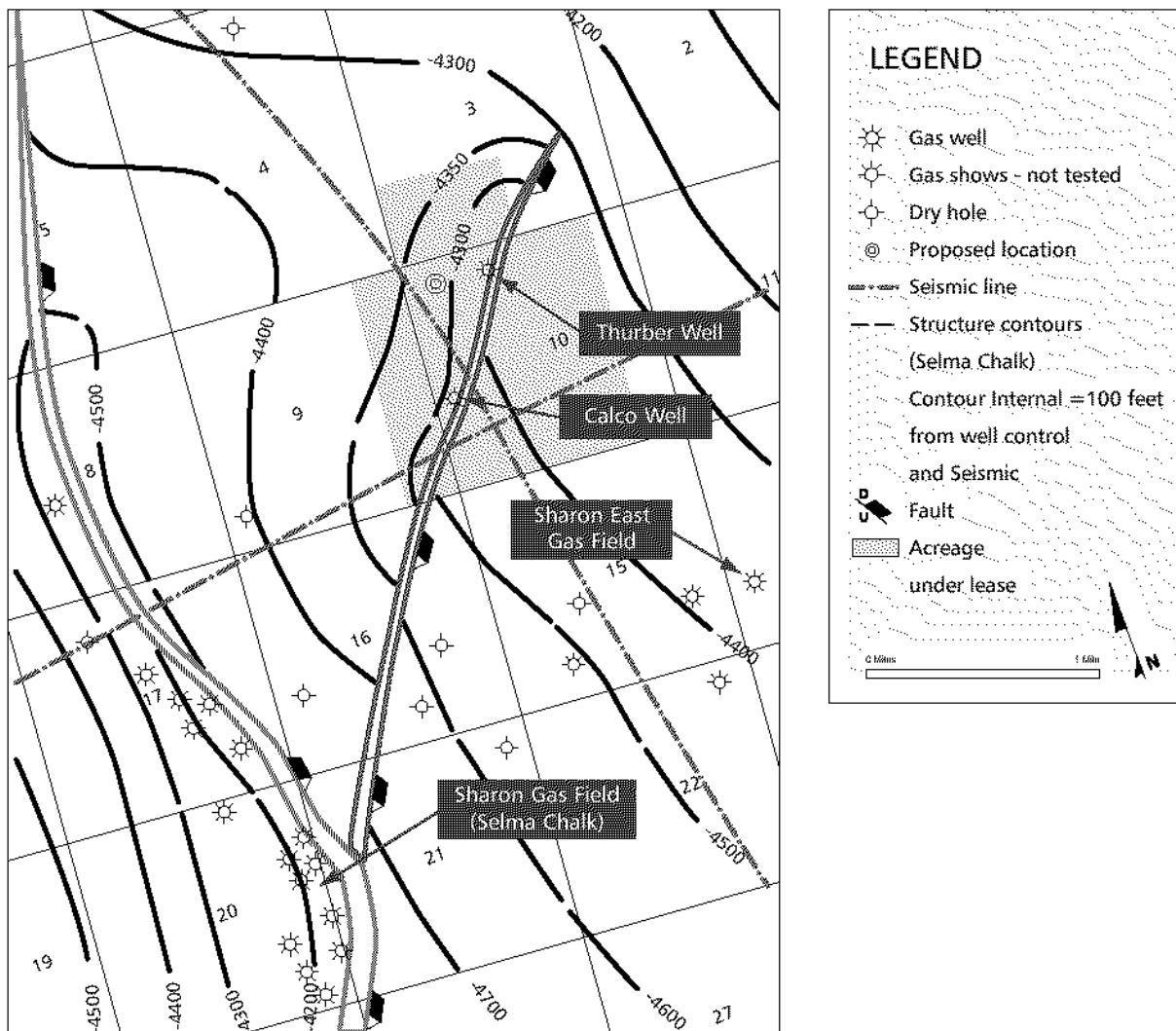


Figure 7-15. **Structure Map on Selma.** North Sharon Prospect and Sharon gas fields, Jasper County Mississippi. (after Breimayer 2005)

Structurally, salt tectonics and growth faulting along the basin margins in areas of relatively rapid sediment loading complicate the structure of these interior basins. Diapirs, salt ridges, salt withdrawal, shale ridges, and salt movement in general contribute to structures which today collect and entrap hydrocarbons. Other important factors in the trapping of hydrocarbons are stratigraphic in nature. They include the development of oolitic porosity, foram replacement porosity in chalks, large sand dune development, exposure to erosion, on-lap of shale sequences, lithologic interfaces, fracturing due to structure, just to name a few of the geologic conditions and processes which need to be considered when exploring for hydrocarbons.

Prospect Description

The North Sharon Prospect, located in Jasper County of south-eastern Mississippi, targets the Cretaceous Selma Chalk. The prospect is a gas prospect set up by surrounding well bore data. It is an up-thrown fault closure on a north-south trending fault (green on map, Figure 7-15) which is a splinter fault off a more major fault (blue on map, Figure 7-15) to the west. The major fault is down-thrown to the southeast as is the splinter fault. The major fault sets up the trap for the Sharon gas field, which has produced approximately 9 Bcf gas to date (see Figure 7-15).

Due to the price of gas, the Sharon field was somewhat dormant from the time of its discovery in 1976, and only the oil and petroleum liquids were sold to market. It appears the gas was used locally for lease operations or flared. Beginning in 2003, with the price of gas increasing, a development program was initiated by the operator, Denbury Resources, and production jumped from only 2,853 Mcf gas in 1996 to 146,542 Mcf in 2003. This year to date it has produced 355,889 Mcf gas and is currently being further developed.

The splinter fault discussed above and which sets up this prospect is observed in two wells, the California Company (Calco) #1 Peek and the Thurber #1 Morgan-Pharis, and is confirmed on two seismic lines which traverse the prospect (see Figure 7-15). At the target horizon Selma Chalk, the fault is interpreted to have 75 feet of throw, and extend to the northeast where it dies out. The two seismic lines show continued east (regional) dip on the up thrown side of the fault, but the fault elevates the Selma Chalk along the trace of the fault high enough above regional dip to form a trap. Closure along the strike of the fault is interpretive and delimited by the red contour line showing closure against the green fault.

The two wells mentioned above were drilled over 40 years ago prior to any significant hydrocarbon production from the Selma Chalk in Mississippi. At the time of drilling, both wells tested gas from the Selma interval. The Thurber tested 1,250 Mcf of gas per day and 24 barrels of condensate per day with 850#FTP (flowing tubing pressure) and was never produced. The California Peek well tested at rates of over 1,400 Mcf of gas per day and produced 127,000 Mcf of gas in 24 months of production before being plugged while still producing 80 Mcf of gas per day. Gas was probably used for lease operations (oil production) and had very little or no market value. In addition to providing structural control, these two wells prove the area surrounding them is gas saturated and undrained at the Selma interval. Log inspection indicates the Thurber well actually faulted out part of the main Selma reservoir but still tested as related above.

Stratigraphy

The Selma Chalk is a dark gray, deep water microcrystalline mudstone. In addition to the mud matrix, the rock is made up of microscopic planktonic foraminifera (coccoliths) which were deposited within the mud matrix as they died and rained down on the ancient seafloor. The foram framework eventually dissolved leaving voids which we see as porosity today. Unfortunately, the forams usually float in the mud matrix without much contact with each other; therefore the porosity they create is excellent but the rock possesses poor natural permeability. For this reason, the Selma Chalk requires hydraulic fracturing in order to produce at substantial rates. The porous intervals have proven to be very continuous through Selma Chalk in the local area and are gas saturated in areas with structural traps.

Engineering/Drilling/Development/Economics

While the Selma formation requires artificial fracturing as described above, history has shown that acidizing of chalk formations in Mississippi has proven to have a strong negative effect on such reservoirs, and should be completely avoided in favor of medium sized gel fracs that are immediately flowed back and cleaned up to sales. Much of the reserve value of Selma Chalk wells in Mississippi lie in the long life of the wells. While production is relatively low after initial production, wells can be expected to produce over 15 to 20 years with very low or flat decline rates. The main risk of this project is how broadly saturated the traps may be and how they are produced and treated, especially at the outset of production. Gas saturation can be expected to lessen down structure, reaching an economic limit at some down-structure elevation where the reservoir is completely water saturated. Because of this fact, the most up-structure wells should be drilled first, followed by careful step-out development.

It has been reported that the adjacent Sharon field is currently being development with the use of S-shaped drilling. This technique allows several well bores to be drilled from one location, thereby reducing costs and limiting environmental disturbances. Well bores, therefore, are often separated by a mere 500 feet, giving the effect of development on a 40 acre or even 20 acre spacing. Horizontal drilling has not proven successful in Selma gas fields due the "softness" of the formation. Long horizontal well bores will not stand up in this soft formation and therefore, have not been used as a production tool. On the other hand, multiple S-shaped wells drilled from a single drilling pad, as opposed to vertical drilling from individual pads, have proven to increase production rates, ultimate reserve recovery, and limit environmental damage. Three new S-shaped wells in the Sharon field to the east have now produced for over one year and average 97,000 Mcf gas per well. By comparison, there are three wells in the Heidelberg field three miles to the northeast that have produced over 1 Bcf each and have been producing since 1976, and are still being produced today at rates of 50 to 75 Mcf gas per day.

The first well drilled is estimated to cost US\$300,000 and require less than 7 days to drill. Using conservative estimates of 300 Mmcf cumulative production per well, the finding cost, at 20 percent royalty to the land owner, would be US\$1.56 per Mcf for the first well and US\$1.25 per Mcf on subsequent vertical wells. Should 320 acres prove productive, the cumulative production for the prospect would be approximately 5 Bcfg. If the entire 400 to 500 acres covered by the prospect were to prove productive, cumulative production could be 6 to 7.5 Bcfg.

Land

The operator currently has 445 gross acres under lease within an outline of 720 gross acres. Two 320 acre producing units will be requested of the Mississippi Oil and Gas Board. Mineral interest owners not under lease will either be carried under the alternate risk provisions of 300 percent penalty for non-participation, will participate paying their pro-rata share of the costs within each unit, or will lease when the units have been approved.

Conclusion

The North Sharon Prospect can best be characterized as a "new field step-out" test. It has few of the inherent risks usually associated with a "wildcat" or "new field exploration" well. By virtue of having two wells which most likely would have produced (given the correct set of circumstances) from the target horizon within the prospect outline, risks are greatly reduced. It is my opinion that the first well on this prospect has an 80 percent chance of success, the only risk being the interpretive nature of the structure itself. There is more risk that the field is as large as 640 acres, the risk being the gas saturation in a down-dip position.

Hamlet Prospect, Renville County, North Dakota

Background

The prospect is in the heart of the oil producing trend of the Williston Basin. The basin extends from northwestern South Dakota, the western two thirds of North Dakota, extreme northeastern Montana, and into southern Saskatchewan and Manitoba Provinces of Canada.

The Williston Basin produced hydrocarbons (gas) as early as 1892 in non-commercial quantities, but commercial production was not established until 1929 with the extension of the Bowman gas field from Montana into North Dakota. (Heck, et al.) While gas is produced in the basin, oil production is much more prevalent. Oil was not produced commercially until 1951, when Amerada Hess completed a well on the Nesson Anticline, a large sub-surface feature in the northwestern portion of the state. Since that time, exploration has been continuous, if somewhat sporadic depending upon the state of the oil industry and market conditions in the USA.

By the end of the year 2004 over 13,000 wells had been drilled in North Dakota and more than 1.4 billion barrels of oil had been produced. Oil production in the state peaked in 1984 at over 52.6 million barrels of oil annually, mainly due to the discovery and development of the Little Knife oil field. Production has been in relatively steady decline since that time, and at year-end 2004, 31.1 million barrels were being produced annually (*Industrial Commission of North Dakota*). Latest statistics indicate daily production of around 85,300 barrels. Oil is produced from 17 counties in the northwestern part of the state (see Figure 7-17).

Renville County, the location of the Hamlet prospect, is shown at the top-center of the map in Figure 7-17.

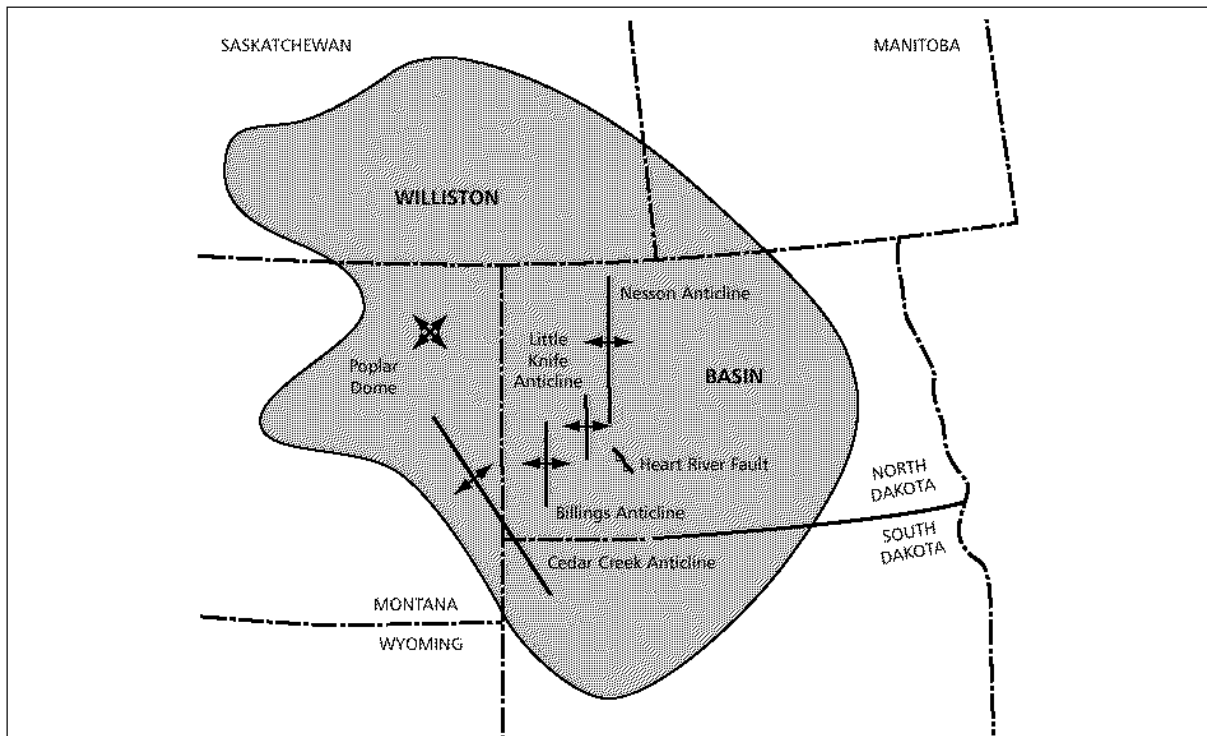


Figure 7-16. **Williston Basin**. Showing basin extent and major North Dakota Structural Features (after Heck, et al. 2002 North Dakota Geological Survey).

Regional Geology

Compared to other sedimentary basins of the world, the Williston Basin is relatively simple in terms of gross geology and structure. It is essentially a circular basin encompassing hundreds of thousands square miles. The rock record is unusually complete, but there are several periods through out geologic time where erosion rather than deposition dominated. As might be expected of a basin dominated by subsidence, rock units are thickest in the center of the basin and thin toward its margins. While structuring is present, most of the structure is due to movement of the underlying basement rocks which created structures of great lateral extent in the sediments above. Such structures are well known and well documented due to well bore data; they include the Nesson Anticline, Little Knife Anticline, Poplar Dome, Billings Anticline, Heart River Fault, and Cedar Creek Anticline (see Figure 7-16). When Figures 7-16 and 7-17 are compared, it is easy to see the effect of these large structures on the production of oil. Basement block faulting, while developed early in the geologic record of the basin, has been re-activated through out the basin's geologic history.

These periods of re-activation have given rise to the structures found today in the overlying Paleozoic and Mesozoic rock units. The structures are, however, subtle as compared to structures of other well known sedimentary basins, which is one of the reasons oil development was "delayed" in the basin until geophysical methods of depicting the subsurface were developed in the 1950's. These methods have been constantly refined and improved and have been the driving force behind continued development of oil production in the Williston Basin.

Paleozoic rocks dominate the rock column in the basin, but there is also a good record of Mesozoic rocks. Rocks of Tertiary age make up a small part of the rock column and are unimportant with respect to oil production. See Figure 7-18.

The center of the basin is believed to contain a sedimentary section above Precambrian basement which exceeds 16,000 feet in thickness.

Rocks of the Mississippian Madison Group have proven to be the most productive, having produced over six times the amount of oil than the next most productive rock unit, the Duperow of Devonian age. A close third in productivity is the Red River Formation of Ordovician age. The rock lithologies are generally limestones, dolomites, calcareous mudstones and shales, and anhydrites – much different than younger sedimentary basins such as the Gulf Coast of the USA. Rocks of the Williston Basin are very consolidated; porosities often depend upon fracture patterns that may have developed during structural development, on sedimentary patterns of the rocks themselves, and on the erosional history of the basin. While structure is important in the production of hydrocarbons, porosity (and oil accumulation) does not always coincide with structure and many of the traps are stratigraphically controlled.

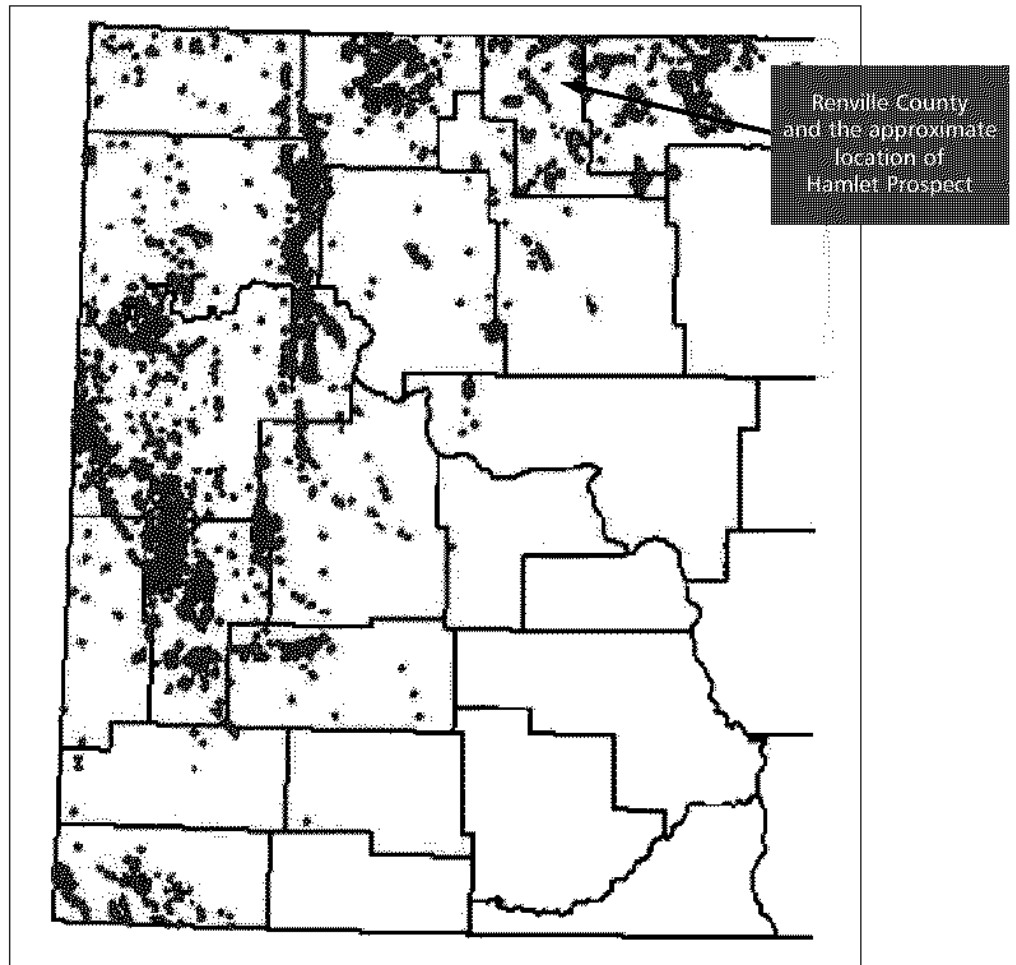


Figure 7-17. Seventeen northwestern counties of North Dakota. Counties shown in yellow; Oil production shown in blue. (After Heck et al.)

SYSEMS	ROCK UNITS
Quaternary	Pleistocene
Tertiary	White River
	Golden Valley
	Fort Union Group
Cretaceous	Hell Creek
	Fox Hills
	Pierre
	Fort Union Group
	Niobrara
	Carlile
	Greenhorn
	Belle Fourche
	Mowry
	Newcastle
	Skull Creek
	Inyan Kara
	Jurassic
Rierdon	
Piper	
Triassic	Spearfish
Permian	

Permian	Minnekahta	
	Opeche	
	Broom Creek	
Pennsylvanian	Amsden	
	Tyler	
Mississippian	Otter	
	Kibbey	
	Madison Group	Charles
		Mission Canyon
		Lodgepole
	Devonian	Bakken
		Three Forks
Birdbear		
Duperow		
Souris River		
Dawson Bay		
Prairie		
Winnipegosis		
Ashern		
Silurian		Interlake
	Stonewall	
Ordovician	Stony Mountain	
	Red River	
	Winnipeg Group	
Cambrian	Deadwood	
	Precambrian	

Figure 7-18. Stratigraphic Column Williston Basin. Units shown in Blue are oil productive; those in Red are gas productive (Heck, Et al., 2000)

Hamlet Prospect Location

The Hamlet Prospect is located on the northeastern flank of the Williston Basin in northwestern North Dakota, Renville County (see Figure 7-17). Commercial oil is produced in the area from several members of the Mission Canyon Formation of the Madison Group of Mississippian age. Specifically, the Hamlet Prospect targets the Sherwood member which is one of the more prolific members. It produced more than 28 million barrels of oil from the Sherwood field, which lies two townships north (approximately 15 miles), and which extends into Canada to the north. The field, which is composed of 54 wells, was first drilled on 80 acre spacing, but has since been drilled on 40 acre intervals. Several smaller fields lie within close proximity to the prospect. Five other fields in the immediate area produce from this member of the Madison Group.

Geology

Stratigraphic considerations play a major role in the development of Sherwood aged traps. In some cases porous lagoonal facies in carbonate reservoirs are sealed by evaporitic sequences, and in other cases porous bank deposits (oolitic deposits) develop seaward of the carbonate-evaporite interface. Development of both types of traps depended upon minor variations in the paleo-topography where such developments could be subsequently capped by deposition of low energy mudstones. Such paleo-topography can be re-constructed by careful interpretation of modern logs in conjunction with modern seismic data. Paleo-topography, or ancient surface structure, is usually re-constructed with the aid of isopach (thickness) mapping of the units under investigation and their addition to one another, creating a paleo-structure map. Such is the case shown in Figure 7-20, for the Sherwood formation at the Hamlet Prospect. Given the fact that the Williston Basin has, through out its geologic history, only been mildly affected by structural events, such mapping is exacting and results are very subtle. However, these methods have proven effective for much of the exploration in the area (personal experience).

Figure 7-20, then, shows results of such work. Here the Sherwood is thought to have been thickened by algal-oolitic mounding which has resulted in the Sherwood being as much as 70 feet thick. The structure map was constructed by conversion of seismic time to depth using a velocity gradient for the area, and the incorporation of hard depth/thickness data from surrounding well bores.

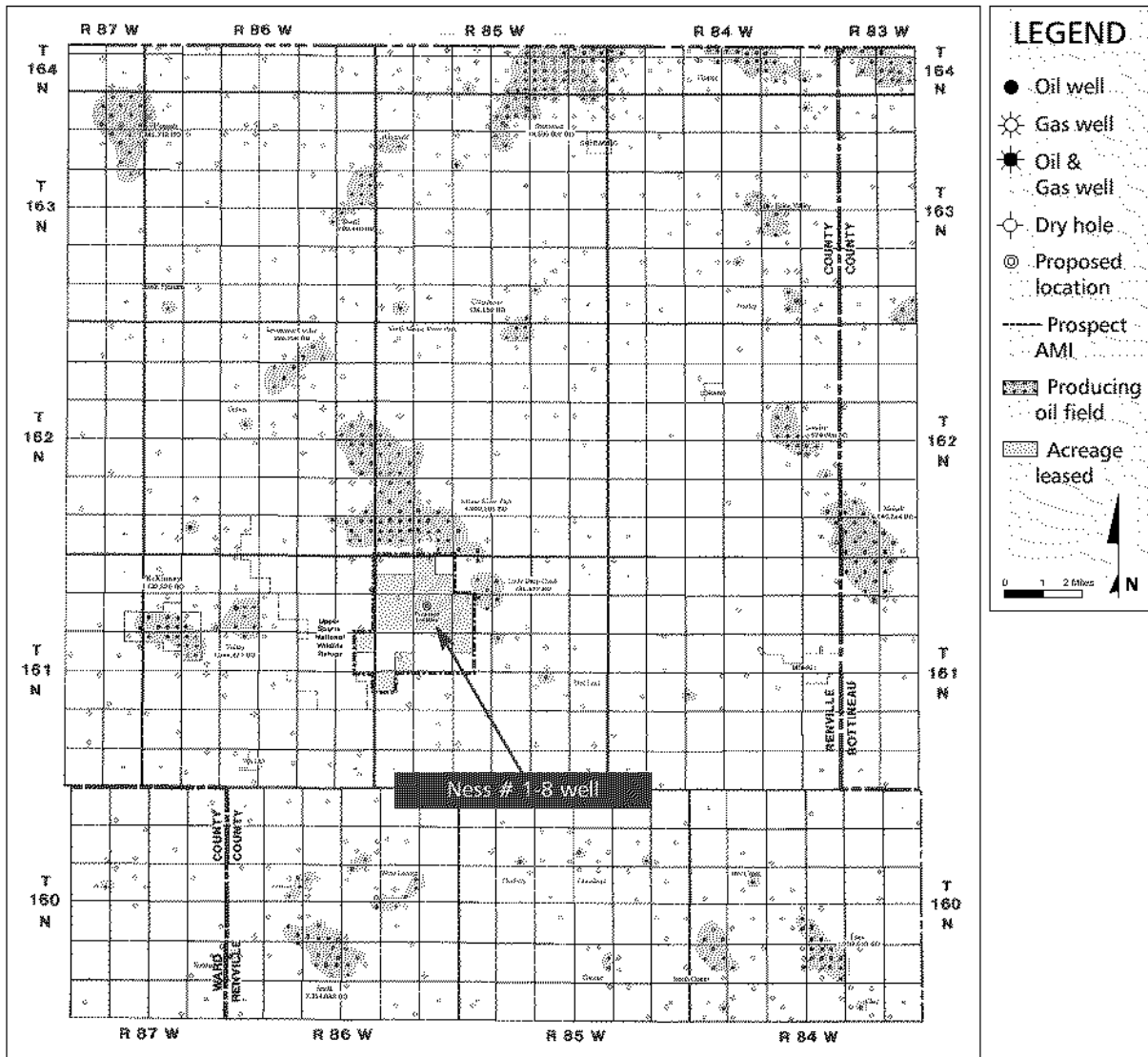


Figure 7-19. Regional Base Map. Showing location of Hamlet Prospect with respect to producing fields (shown in Green).

On Figure 7-20, below, two separate structural highs are apparent. Structural closure exceeds 40 feet on the eastern closure and approaches 40 feet on the western and smaller closure. The eastern closure covers over 640 acres and the western closure includes at least 320 acres. Both closures are centered on the land position held by the operator. The prospect is separated from surrounding production by intervening low areas (troughs) and from dry tests in the area by both its structurally higher position and by the interpreted lithologic differences.

In addition to the Sherwood formation, secondary targets include the Midale and Mohall members of the Madison Group. Both are productive in the area. An exploratory well the Ness # 1-8 was recently drilled to a depth of 5135 feet on the eastern closure. Oil shows were encountered in the Sherwood formation however, it was structurally low and recovered salt water.

Land Position

The land position held by the operator totals 2,698 gross acres or 2,618 net acres under lease. The leases terms are for 3 years and are considered "paid-up, that is there are no yearly rental fees due the land owners. Net revenue interests are between 81.25 and 82.5 percent on all acreage. Net revenue refers to the percent of product to flow to the operator and partners after the deductions for royalties held by the land owners. Emerald Gas has now earned its 18.75% interest in these leases.

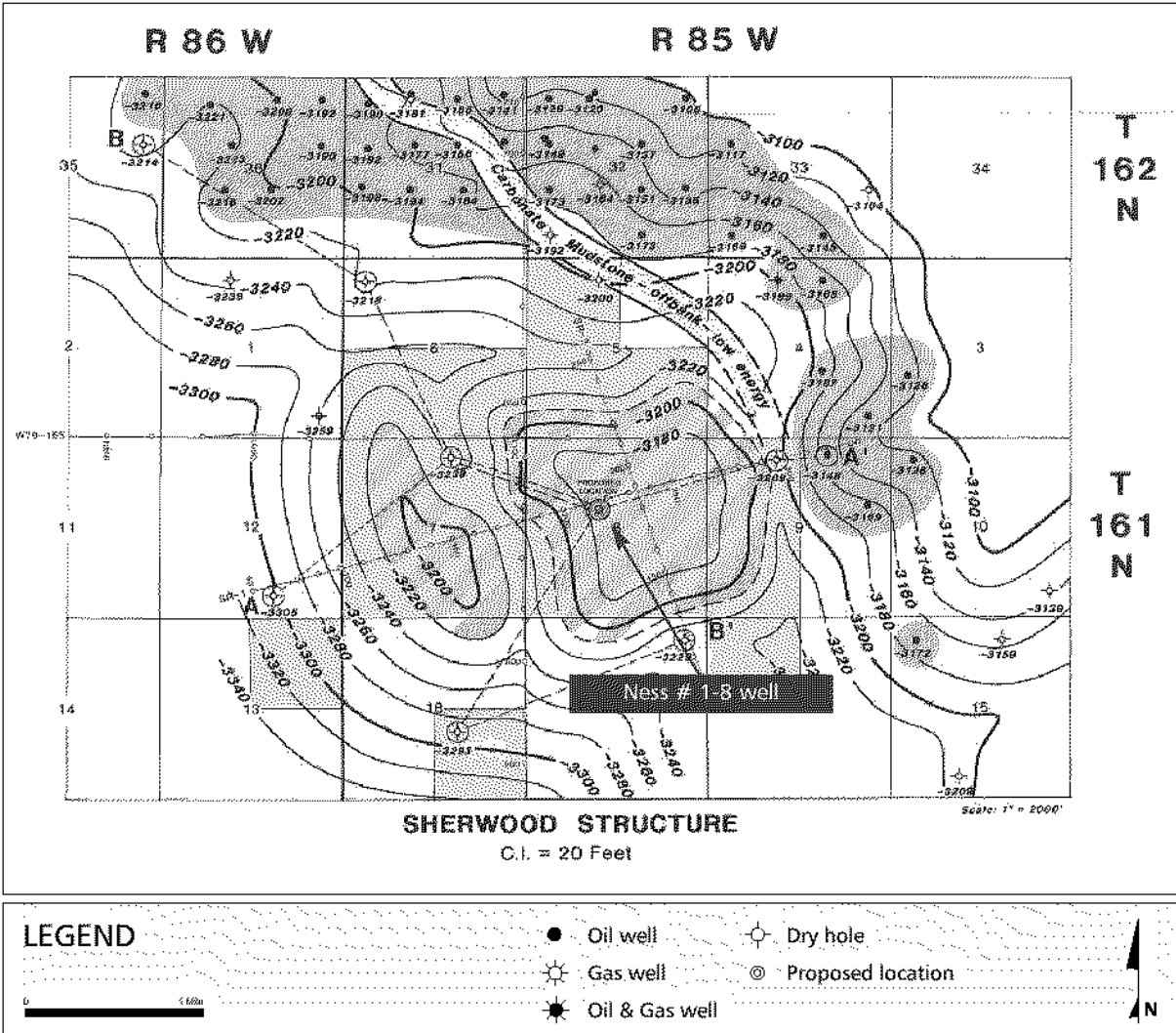


Figure 7-20. **Sherwood Structure Map.** Productive acreage shown in Green. Hachured area (yellow and green) shows possible productive areas of prospect. Land position is shown in solid Yellow. Proposed drill location is shown in Red.

Future Development, Drilling and Possible Reserves

The Ness # 1-8 well was drilled to a total of 5135 feet for a total dry hole cost of approximately US\$400,000.

Should the western mapped closure prove productive, additional 2D or 3D seismic will likely be collected. Development drilling may take the form of horizontal drilling rather than conventional development on 80 or 40 acre spacing, which would result in drilling up to 24 additional development wells. Horizontal drilling, where the well bore penetrates the producing rock unit over long horizontal traverses, would allow significant savings in the development of the oil field. Such developmental methods are now taking place within the Williston Basin. Studies will be required to test the feasibility of such operations.

Wells in this area cost approximately US\$400,000 on a dry hole basis (DHC), and completions are approximately US\$450,000, for a combined completed well cost (CWC) of US\$850,000. A successful well is expected to produce at the rate of approximately 150 BO per day and, should that be the case, the exploratory well will pay out in just over seven months.

In any case, a successful test and subsequent development drilling on the western closure could prove the presence of up to 1.0 million barrels of oil. It should be remembered, however, the first test is considered exploratory and as such, any reserves assigned are, at this stage, "possible" reserves which are, in accepted industry standards, considered to be 10 percent assured. As a prospect, it is the opinion of this author that the next test well has an approximate 40 percent chance of success (POS). The POS is derived in the following manner:

- | | | |
|---|--------|--------|
| • Trap geometry (is the trap actually present) | = 50% | or 0.5 |
| • Timing migration and emplacement of oil | = 100% | or 1.0 |
| • Reservoir integrity (porosity development) | = 80% | or 0.8 |
| • Top seal (presences of cap to limit vertical oil migration) | = 100% | or 1.0 |

When the numbers of the extreme right hand column are multiplied, the resultant POS is equal to 0.4 or 40 percent.

Conclusion

The Williston Basin is a well known hydrocarbon producing basin in the heart of the USA. As of the end of the year 2004, it had produced over 1.4 billion barrels of oil. Most of the oil bearing rocks are from the Paleozoic Era, and as such, are highly compacted and whose character depends upon depositional environment, subsequent erosion, and natural fracturing by low level tectonism along deep seated block faulting. Exploration of the basin continues today and has been enhanced by sophisticated geophysical methods and the integration of geologic and geophysical data. While most traps in the basin are subtle due to the lack of high amplitude structuring through out geologic time, and Hamlet is no exception, a combination of stratigraphic and structural parameters can be discerned and integrated to yield viable prospects, and, indeed, producing oil fields.

Based on knowledge of the producing basin as related above, upon accepted standard practices of exploration within the industry, the data provided by the operator, and my inspection of that data, it is my opinion that the western closure of Hamlet Prospect provides a reasonable chance of successful exploration and future development of up to 1.0 million barrels of oil reserves.

The foregoing report is respectfully submitted, signed:



Marvin G. Ginzel
 Petroleum Geologist/Geophysicist
 March 21, 2006

References Cited

- G. Eric Michael¹, Christof Keuser², Bjorn Wygrala², Dave Hanley¹, David Miller¹, Patrick O'Connell¹, "Abstract: 3D Petroleum System Modeling: A new tool in an old exploration area – Webb and Zapata County, South Texas, USA."
AAPG Bulletin, V. 84 (2000), No. 13 (Supplement)
AAPG ANNUAL MEETING ABSTRACT
New Orleans, Louisiana. April 16-19, 2000
(¹) Conoco Inc, Houston, TX.
(²) Integrated Exploration Systems, Juelich, Germany
-
- Robert S. Lestz¹, "Abstract: Perforating for stimulation ... an engineered solution."
AAPG Bulletin, V. 84 (2000), No. 13 (Supplement)
AAPG ANNUAL MEETING ABSTRACT
New Orleans, Louisiana. April 16-19, 2000
(¹) Chevron, Houston, TX
-
- Phil D. Anno¹, Mark E. Wuenschel², Robert J. Corbin², John M. Hooper², Frank J. Chlumsky², "Abstract: Three-dimensional prestack inversion, Lobo Trend, South Texas"
AAPG Bulletin, Vol. 86 (2002), No. 13. (Supplement)
AAPG Annual Meeting
Houston, Texas. March 10-13, 2002
(¹) Conoco Inc, Ponca City, OK. (²) Conoco Inc
-
- Miller, David H., and Brad A. Baker¹, "Abstract: A 3-D Seismic Look at Big Cowboy Field (Lower Wilcox Lobo), Webb County, Texas"
AAPG Bulletin, V. 82 (1998), No. 9 (September 1998) P. 1787-1787.
AAPG Gulf Coast Association of Geological Societies and the Gulf Coast Section of SEPM Section Meeting
Corpus Christi, Texas. October 21-23, 1998
(¹) Conoco, Inc., Houston, TX
-
- William E. Galloway, Patricia E. Ganey-Curry, Xiang Li, Richard T. Buffler, "Cenozoic depositional history of the Gulf of Mexico basin"
AAPG Bulletin, V. 84, No. 11 (November 2000), P. 1743-1774.
-
- Gary S. Swindell, "Texas Production data show rapid gas depletion"
Oil & Gas Journal, June 21, 1999, Page 61
-
- Steven C. Alexander, Thomas T. Tieh, Robert R. Berg, "Effects of Diagenesis on Reservoir Properties in Lobo Sandstones, Webb County, Texas:
AAPG Bulletin Volume: 69 (1985)
Issue: 9. (September) ABSTRACT, Article Type: Meeting abstract
-
- William C. Eisenhardt, Harry T. Holzman, "Exploration and Development of Gulf Coast Tertiary, 1983"
AAPG Bulletin Volume: 68 (1984)
Issue: 9. (September) ABSTRACT
-
- William E. Galloway, David K. Hobday, Kinji Magara, "Frio Formation of Texas Gulf Coastal Plain: Depositional Systems, Structural Framework, and Hydrocarbon Distribution"
AAPG Bulletin Volume: 66 (1982)
Issue: 6. (June)
-
- Brian E. O'Brien, Robert E. Freeman, "Lobo Trend of South Laredo Area, Webb and Zapata Counties, Texas"
AAPG Bulletin Volume: 62 (1978) ABSTRACT
Issue: 9. (September)
-
- Eugene M. Kim, William L. Fisher, "Further growth lies ahead for South Texas Wilcox plays GULF COAST ULTIMATE RECOVERY GROWTH-2"
Bureau of Economic Geology
Copyright 1999 **Oil & Gas Journal**.
-
- "Conoco buys South Texas Lobo trend assets"
Copyright 1997 **Oil & Gas Journal**. All Rights Reserved.
-
- Gene L. Ames III, "Oil and Gas Developments in South Texas in 1988"
AAPG Bulletin Volume: 73 (1989)
Issue: 10B. (October Part B)
-
- Kim A. Henke, "Reservoir Characteristics of Lower Wilcox Sandstones, Lobo Trend, Webb and Zapata Counties, Texas"
AAPG Bulletin Volume: 69 (1985) ABSTRACT
Issue: 2. (February)
-
- SNEDDEN, JOHN W., Mobil Exploration Norway, Inc., Stavanger, Norway, JAMES C. COOKE, Mobil Exploration and Producing Services, Inc., Dallas, TX, and ROBERT K. JOHNSON and KEITH T. CONRAD, Mobil Exploration and Producing, U.S., Houston, TX, "Sequence Stratigraphy and Sedimentology of a Shelf-Margin Lowstand Wedge in the Deep Wilcox Flexure Trend of South Texas"
AAPG Bulletin Volume: 75 (1991)
Issue: 3. (March)
-
- William G. Kane, "Structural Geology of Border Province of Northeastern Mexico Adjacent to Zapata and Starr Counties, Texas"
AAPG Bulletin Volume: 20 (1936)
Issue: 4. (April)
-
- Ray A. Burke, "Summary of Oil Occurrence in Anahuac and Frio Formations of Texas and Louisiana"
AAPG Bulletin Volume: 42 (1958)
Issue: 12. (December)
-
- Thomas E. Ewing, "Variation of "Growth Fault" Structural Styles in the Texas Gulf Coast Basin"
AAPG Bulletin Volume: 72 (1988) ABSTRACT
Issue: 9. (September)
-
- Mancini, E.A., Puckett, T.M., Parcell, W.C., and Panetta, B.J., "1999: Topical Reports 1 and 2, Basin Analysis of the Mississippi Interior Salt Basin and Petroleum System Modeling of the Jurassic Smackover Formation, eastern Gulf Coastal Plain", U.S. Department of Energy Report, 425 p.
-
- T. Markham Puckett, Bennett L. Bearden, Ernest A. Mancini, Brian J. Panetta., "UNDERDEVELOPED RESERVOIRS IN THE MISSISSIPPI INTERIOR SALT BASIN Project: Basin Analysis of the Mississippi Interior Salt Basin and Petroleum System Modeling of the Jurassic Smackover Formation, Eastern Gulf Coastal Plain
August 2000
Work Performed Under Contract No. DE-FG22-96BC14946
U.S. Department of Energy
-
- Thomas J. Heck, Richard D. Lefever, David W. Fischer, and Julie Lefever, "OVERVIEW OF THE PETROLEUM GEOLOGY OF THE NORTH DAKOTA WILLISTON BASIN." Copyright © 2002 North Dakota Geological Survey
Last modified: 21-Jun-2004
-
- Glen, John, and Krancer, A., "Pandura Prospect & Maria H. Llanos Field, Webb County, Texas: Prospect Brochure." Teal Resources 2003
-
- Jim Breimayer, "North Sharon Prospect Brochure," Highstand E&P, November 29, 2005"
-
- Golden Eye Resources LLC, "Hamlet Prospect Brochure, Renville County, North Dakota."

Websites Consulted

(links internal to sites also consulted but not listed)

- <http://www.aapg.org/>
<http://www.egrpttc.geo.ua.edu/csbs/index.html>
<http://www.eia.doe.gov/>
<http://www.geology.about.com/>
<http://www.geonames.usgs.gov/>
http://www.gomr.mms.gov/index_common.html
<http://www.ogb.state.ms.us/>
<http://www.ogj.pennnet.com/about/about.cfm?p=7>
<http://www.oilandgasinternational.com/default.aspx>
<http://www.oilgas.nd.gov/>
<http://www.olemiss.edu/>
<http://www.rootsweb.com/~txgray/oil2.html>
<http://www.rrc.state.tx.us/contact-information/cont.html>
<http://www.seg.org/>
<http://www.spe.org/spe/jsp/homepage>
<http://www.texasep.org/index.html>
<http://www.usgs.gov/>
http://www.vulcan.wr.usgs.gov/Glossary/geo_time_scale.html

Glossary of Technical Terms

Acidization	method of treating reservoirs by pumping an acid solution down a well bore under pressure – used to increase hydrocarbon flow rates and production by increasing permeability
Alluvial, alluvial fan, alluvium	alluvium is sediment carried off mountainous highs by stream erosion and re-deposition, usually deposited in a fan shaped body
Anhydrite	A calcium sulfate rock (CaSO ₄) formed by de-watering of the mineral Gypsum.
Anticline	A structure in the subsurface where rock layers have been deformed to create a dome or arch
Barrel	42 USA gallons; 35 imperial gallons; approximately 159 liters; a measurement used mostly with respect to liquid hydrocarbons
Basin	A depression in the earth's crust containing a relatively thick deposit of various types of rocks deposited by natural geologic processes
Bcf	Billion cubic feet or 28.317 million cubic meters; a unit used in referring to volumes of natural gas
Bedding planes	Parallel interfaces between adjacent and usually differing rock units
BOPD	Barrels of oil per day; a unit used to daily rates of liquid hydrocarbon production
Bright Spots	High amplitude seismic events often associated with gas filled sand reservoirs; observed on seismic profiles, providing a strong indication of a gaseous reservoir
Buried fault	A fault (break in the earth's strata) which has ceased movement and has been covered by additional rock deposits
Cambrian	The oldest "system" of the Paleozoic Era on the geologic time scale; roughly 490 to 545 million years ago
Carbonate	A limestone [CaCO ₃] or dolomite [(Mg,Ca)CO ₃], sedimentary rock types precipitated from seawater
Clastics	A sedimentary rock which is composed of small particles or grains (such as sand) and bound together by some cement, usually silica or calcite
Closure	Said to occur when one or more contour lines form a continuous loop creating a high (positive) feature or a low (negative) feature; here associated with the structure of hydrocarbon traps
Coccoliths	Very sub-microscopic calcite plates, combined with others, form the skeleton of single celled organisms; on their demise, the skeletons form chalky rock deposits
Contour/contour lines	line on a map connecting point of equal value; in this case creating a structural closure; closure can also be formed by the termination of contour lines into a fault, in which case the closure is said to be a "fault closure"
Cretaceous	The youngest system of the Mesozoic Era on the geologic time scale; roughly 65 to 140 million years ago
Crustal rock	Rock, usually granitic in the case of continental crust or basic in the case of oceanic crust, which makes up the crust of the earth
CWC	Completed Well Cost
Darcy, Millidarcy (mD)	A unit of measure use to classify the permeability of reservoir rock, millidarcy is 1/1000th of a Darcy; high numbers indicate better permeability
Depth to target	a number in feet or meters to which a well must be drilled to reach the projected producing formation
Devonian	The fourth Period of the Paleozoic Era of the geologic time scale; roughly 360 to 410 million years ago
DHI	Direct Hydrocarbon Indicators; bright spots (high seismic amplitude), abrupt seismic phase changes, and "sags" of seismic events indicating low velocity zones
Diapirism	The movement of salt or shale in an upward sense through the sedimentary column in response to sediment loading; formation of salt domes
Dip	The direction and degree to which rock layers have been tilted in response to tectonic events
Down-thrown	The side of the fault in which the rock units have been displaced downward in relation to those on the opposite side of the fault
Dry hole	A wellbore which is not capable of producing hydrocarbons in commercial amounts
Eocene	An Epoch in the Paleogene System of the Tertiary Era on the geologic time scale, roughly 55 to 34 million years ago
Evaporites	Rocks formed by the evaporation of salt laden sea; they include anhydrite, gypsum, and rock salt or halite
Exploration well	A "wildcat" or a well drilled expressly for the purpose of finding a new oil or gas field
Fault	A mechanical break in rock strata
Fluvial	Geologic processes where movement of sediment and formation of features is caused by stream flow and stream mechanics.
Fold	Bending of rock strata, usually over long periods of time, resulting in deformation of the rock units creating structures, such as anticlines

Foram, Foraminifera	Single-celled sea animals whose shells, or tests, are composed of organic material or sand grains or crystalline calcite. Tests are commonly divided in to chambers which are added during growth, and, upon deposition remain in the rock record
Formation	A rock unit or group of rocks usually given a name
Gas prone	Used when speaking of hydrocarbon source material; certain sources are more likely to produce gas rather than liquid hydrocarbons
Geophysics	Here petroleum geophysics; the use of indirect methods, such as seismic, gravimetric or magnetic investigations, to study subsurface geology
Gravity slide	The movement of large rock masses "en-mass" as the result of gravitational forces
Gross sand thickness	Used in conjunction with well logs describing how many feet or meters of sand is present in a wellbore
Growth faults	Breaks in rock strata due to sediment loading; movement along the breaks is continual and in response to continued sediment loading; growth faults are "rotational" and rock units on the down-thrown side of the fault are always much thicker than their counterparts on the up-thrown side due to increased deposition
Halokinesis	Tectonics due to salt movement, usually induced by sediment loading
Horizon	Refers to a specific rock unit or marker, usually used in conjunction with seismic profiles; also may be referred to as a "seismic event"
Hydraulic fracturing	A method by which reservoir rock permeability and flow capacity is increased due to "non-natural" fractures in the rock created by injecting sand slurries into the reservoir under high pressure
Hydrocarbon generation	The process of decay of organic material, under high pressures and temperatures, found in sedimentary rocks producing oil and gas
Interior basins	Basins characterized by being formed upon continental crust rather than along its margins
Isopach	Thickness of a rock unit or formation; usually mapped and contoured over large areas to provide distribution limits of a rock unit
Jurassic	The middle Period of the Mesozoic Era, roughly 144 to 206 million years ago
Lead	An indication that a "prospect" might develop with further information
Lithology	The composition of a rock unit or strata, i.e. what type of rocks are present
Lowest known gas (LKG)	The deepest point in a wellbore where gas was observed to be present
Mbo	Thousand Barrels of Oil
mD, Millidarcies	See "Darcy" above
Mesozoic	The middle Era of the geologic time scale; composed of the Triassic, Jurassic and Cretaceous; roughly 65 to 248 million years ago
Migration	The movement of hydrocarbons or other fluids through a rock column or strata
Mississippian	The fifth Period of the Paleozoic Era, or the Lower Carboniferous, roughly 325 to 360 million years ago
MMbo	Million Barrels of Oil
Mylonitization	The crushing of rocks along a zone of tectonism, usually associated with the formation of a new rock classification called a "Mylonite"; important in the sealing of hydrocarbon reservoirs bordered by faulting
Net sand thickness	Used in conjunction with well logs describing how many feet or meters of sand having porosity above some pre-determined value is present in a wellbore
New field wildcat	An Exploration Well which discovers a new oil or gas field as opposed to a new "pool" in an existing field
Oil migration	See "Migration" above
Oil prone	Used when speaking of hydrocarbon source material; certain sources are more likely to produce oil rather than gaseous hydrocarbons
Oligocene	The third Epoch or Series of the Tertiary Period of the geologic time scale, roughly 23.8 to 33.7 million years ago
Oolites	oolitic porosity - Small concentrically layered spheres composed of calcium carbonate; they form in gentle wave action environments where carbonate is precipitated evenly on a "seed" sand grain or shell fragment; the solution of oolites in a rock often results in very high porosity
Ordovician	The second Period of the Paleozoic Era of the geologic time scale, roughly 440 to 505 million years ago
Paleocene	The first Epoch or Series of the Tertiary Period of the geologic time scale; roughly 55.5 to 65 million years ago
Paleotopography	Ancient paleotopographic surface
Pennsylvanian	The sixth Period in the Paleozoic System, or the Lower Carboniferous on the geologic time scale; roughly 286 to 325 million years ago
Permeability	A measure of the ability of a fluid to flow through a reservoir rock; see Darcy and Millidarcies
Prospect	The combination of land and geological/geophysical data gathered and interpreted over a specific property that indicates an area is suitable for testing with a wildcat or a new field wildcat test well

PTD	Proposed Total Depth, with respect to a proposed test well
Regional dip	counter regional dip - Regional dip is the direction and magnitude of expected dip at a specific location within a basin; counter-regional dip is the dip direction and magnitude not expected at a certain location; counter-regional dip indicates the possible presence of a hydrocarbon trap
Royalty	That part of a revenue stream from a given well which is reserved by the land/mineral owner and is not subject to operating costs
Salt domes	Large salt swells which rise through a sedimentary sequence and give rise to hydrocarbon trap formation; the result of sediment loading on a salt deposit
Seal, top seal	That rock unit which overlays a hydrocarbon reservoir which "seals" hydrocarbon in place limiting vertical migration
Sediment loading	The process of depositing large amounts of sediment within a restricted area causing movement and plasticity of underlying rock units
Sedimentary rock	A rock created by the compaction and cementation of small erosional particles; or the precipitation of salts from a saturated aqueous solution
Sedimentary sequence	The layered series of rocks which contains the record of depositional history
Sedimentary wedge	The areal extent to which a sedimentary sequence is spread; a wedge because that is the geometry associated with deposition from a source area to a depositional plain
Seismic amplitude	The relative strength of a reflection caused by the contrasting velocities and densities of two rock units in contact
Seismic event	A seismic reflection from a marker or horizon; usually semi-continuous except where broken by faulting or depositional processes
Seismic profile/section	The results of collecting seismic data in an organized traverse across the surface of the earth; gives an acoustic picture of a specific cross-section of the earth at a given location
Seismic surveys/2D and 3D	Methods of collecting seismic data; 2D data are collected in one plane while 3D data are collected over an entire area or prospect
Silurian	The third Period in the Paleozoic System on the geologic time scale; roughly 410 to 440 million years ago
Show	An indication hydrocarbons may be present in a wellbore
Source/Source rock	Those rocks containing enough organic matter that when buried deeply enough will produce hydrocarbons
S-shaped drilling	The process of drilling deviated wells (usually multiple wells from one location) to lower costs and best exploit a reservoir
Step-out development well	Wells drilled within or near a known field that will extend the limits of that field
Stratigraphic marker	A well known rock unit that is used to locate other rock units based on its location or position in a vertical column of rocks; it may also be a specific seismic event identified on a seismic profile or section
Stratigraphic trap	A hydrocarbon trap not dependent upon structural closure, but upon considerations of stratigraphy and results of depositional and/or erosional processes
Submarine canyon	A deep sub-sea canyon in which sediments are transported to their final destination
Syn-deposition	Processes other than deposition that occur at the same time as deposition and which may be related to or caused by deposition
Tcf	Trillion Cubic Feet
Tectonism	Movement within the earth's crust caused regionally by movements within the earth's crust or core, and locally by sediment deposition and loading; results in regional features (basins, etc) and local features (structures, hydrocarbon traps, etc.)
Tertiary	The first Period of the Cenozoic Era of the geologic time scale, roughly from 65 to 1.8 million years ago
Unconformable/unconformity	A hiatus in the rock record is marked by an "unconformity", that is a period of non-deposition and/or erosion; rock units lie "unconformably" on other rock units if there is period of non-deposition or erosion between them
Up-thrown	Rock units on the side of a fault that has risen relative to those on the opposite side of the fault are said to be "u-thrown"
Velocity/as in rocks	A measure of how fast sound travels through specific rock units; usually measure in feet/second or meters/second
Volcanoclastic rocks	Clastic rocks that have their origin in volcanic events; a accumulation of volcanic ash and/debris which is solidified and compacted into a rock unit
Wadi-type	Deposition which indicates transport and deposition in a steep sided valley with an intermittent stream in arid conditions
Well control	Information derived from wells drilled in an area; hard data points for a prospect
Well logs/electric logs	Wellbores are typically "logged" by the use of electric tools or "sondes" lower in the wellbore and which measure properties of rock units within the wellbore
Well spacing	the density that wells may be drilled on a prospect for optimum drainage; well spacing is usually controlled by a governmental body having jurisdiction over the production of hydrocarbons: in Texas the governing body is the RRC

Australian Independent Geologist's Report



Mulready Consulting Services Pty Ltd
A.B.N. 70 007 049 989
Incorporated in Victoria

11 Norman Street East Doncaster VICTORIA 3109
Tel: (03) 9855 9803
Fax: (03) 9855 8717
Mobile: 0409 006 550
Email: mulcon@bigpond.com

March 24, 2006

The Directors
Matrix Oil NL
(to be renamed Emerald Oil and Gas NL)

Dear Sirs,

Independent Geologist's Report – Australian Oil and Gas Projects

I have prepared this report for inclusion in a Prospectus to be issued by Matrix Oil NL, to be renamed Emerald Oil & Gas NL ("Matrix") to be dated on or about March 24, 2006 relating to the Public Offer by Matrix of up to 15 million ordinary Shares of twenty cents each, payable in full on application, with each Share carrying one attaching option exercisable at 20 per Share on or before 31 May 2008, plus Over-subscriptions of up to 2.5 million Shares and attaching Options, and pro rata Offers of Shares and options to existing shareholders. Matrix has entered into an agreement to acquire 100% of the outstanding share capital of Emerald Gas Limited, an Australian registered company which, has entered into farm in agreements in relation to Exploration Permit EP104 and Retention Lease and Application L98-1R in the Canning Basin Western Australia. Following shareholder approval of the acquisition Matrix is to be renamed Emerald Oil & Gas NL and participate in the exploration of the oil and gas properties.

The scope of this report covers Emerald Gas's Canning Basin projects and makes no comment about any other projects held by Emerald Gas.

At the date of this report (March 24, 2006) statements, interpretations, opinions, and data presentations contained within this report are given in good faith and are derived from information believed to be reliable and accurate and supplemented by my own knowledge, investigations, and analyses. They represent "best endeavours" for optimal, technical applications of such information. I have relied on this information and have no reason to believe any material facts have been withheld from me. Such interpretations, opinions, and presentations are subjective and speculative by their nature and are, therefore, subject to modification and/or replacement as and when new or more accurate exploration data become available. I do not imply that I have carried out any type of audit of the technical, accounting or other records of Matrix, or that my assessments have revealed all the matters which an audit or more extensive examination might disclose as of the date of this report. Most of the information in this report consists of factual data, technical interpretations, and opinion which has been collected, recorded, processed, and compiled on behalf of Matrix, or Matrix's operator, at their expense. The form, wording, and presentation of the data are the author's (J. Mulready).

The author makes no warranties, express or implied, representations or guarantees, nor assumes any legal liability or responsibility as to the accuracy of said information and expressly disclaims all liabilities, losses, and damages arising out of the use of this information, including errors and omissions in the information contained herein.

Investors are advised of the risk that the drilling program described herein may not discover commercial quantities of hydrocarbons. Oil and gas volumetrics described in this report are based on best estimates assuming all conditions for hydrocarbon accumulations have been met.

I am not a director or employee of Matrix or Emerald Gas Limited or any associated company, and there is no intention that I will be a director of either company in the future. Fees are being charged at a commercial rate for the preparation of this report, the payment of which are not contingent on the conclusions of the report or the success of the proposed re-admission of Matrix to ASX. I have given, and have not at the time of lodgement of this Prospectus, withdrawn my consent to the issue of the Prospectus with this report included in the form and context in which it appears.

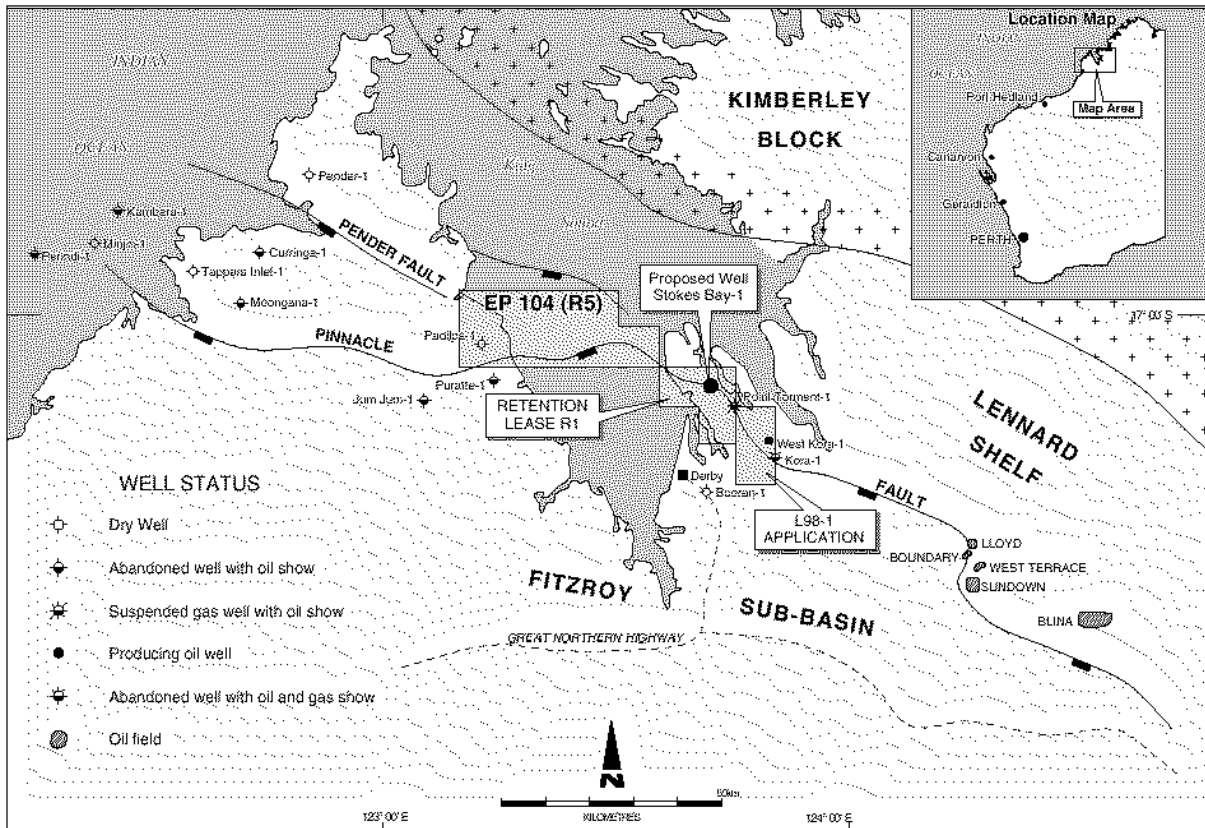


Figure 8-1. Location Map EP 104(R5) Retention Lease R1 & Application L98-1 The permit is in its fifth renewal period and is due to expire April 4th 2010. The Operator is Empire Oil and Gas NL.

Canning Basin Permits Ep 104(R5) & R1, Western Australia

EP 104(R5) and Retention Lease R1 have a combined area of 990 sq. km and are located in the far north of Western Australia, 1800 km north of Perth, 10 km north east of the regional town of Derby and approximately 150 km north east of the port of Broome. EP104 (R5) is unusual in that it straddles King Sound, thus incorporating both onshore and offshore components, 600 sq km being located in the offshore portion.

Regional Geology Fitzroy Sub Basin

EP 104(R5) & Retention Lease R1 are located on the Lennard Shelf on the northern margin of the Canning Basin, immediately northeast of the Fitzroy Sub-Basin depocentre. The southern margin of the Lennard Shelf is defined by the Pinnacle Fault. Structures associated with this feature have provided the focus for the most recent exploration

Stratigraphy

Deposition in the Fitzroy Trough commenced in the Ordovician and continued throughout most of the Palaeozoic Era and into the Early Mesozoic. Within EP 104(R5) and Retention Lease R1 the Lennard Shelf contains over 3000 metres of sediments ranging from Devonian to Early Triassic in age.

Within the northern Canning Basin the sediments reflect broad depositional cycles, which have fluctuated between marine, restricted marine and terrestrial, (Roe, Tait 2001).

Geological History

- Development of an **Ordovician** euxenic (Restricted Marine) Basin within the Fitzroy Trough where an initial marine transgression was followed by thick euxenic shale deposition. Deep water marine shale & carbonate deposition followed (Willara, Goldwyer Formations).
- A **Late Ordovician to Mid-Devonian** shallow restricted basin develops, characterised by carbonate and evaporite deposition.
- Rifting commences in **Mid-Devonian** – development of a deep marine trough with fringing carbonate reefs (Pillara reef complex). At the same time, within the Basin centre, the Gogo Formation, (with significant source potential), is deposited.
- **Late Devonian** – rifting ceases. Uplift, erosion & karstification of Devonian Pillara carbonates and erosion of clastics. Marine regression with deposition of coarse clastics.
- Coalescence of basin floor fans containing limestones, siltstones and sandstones (Virgin Hills Formation).
- In the **Late Devonian** a marine transgression is followed by the return of carbonate platform conditions (Nullara Formation deposition).
- From **Late Devonian to Early Carboniferous** a transgression/regression/transgression cycle follows, represented by the Gumhole Formation, Yellow Drum Sandstone and Laurel Formation respectively.
- In the **Early Carboniferous** the Marine Member of the Anderson Formation was deposited, to be followed by sea level regression and a return to terrestrial deposition (Deltaic Member and Red Bed Member of the Anderson Formation).
- Marine transgression followed (Anderson Formation Transgressive Member).
- Alice Springs Orogeny terminates deposition.
- Deposition resumes in the **Late Carboniferous to Early Permian** ranging from terrestrial to shallow marine in character, (represented by a Permian age sandstone/shale/sandstone sequence of the Grant Formation in EP 104(R5) and Retention Lease R1 vicinity).
- Major marine transgression during the **Permian**. The marine clastics and limestones of the Poole Formation were followed by the deep marine shales of the Noonkambah Formation.
- Marine regression reflected by the fluvio-deltaic deposits of the Livinginga Formation.
- **Early Triassic** Blina Group shale and Erskine Sandstone deposition follows.
- **Late Triassic**– the Basin undergoes major tectonic upheaval, although this has little effect on the Lennard Shelf.
- **Jurassic-Cretaceous** – minor terrestrial and shallow marine deposition follows.

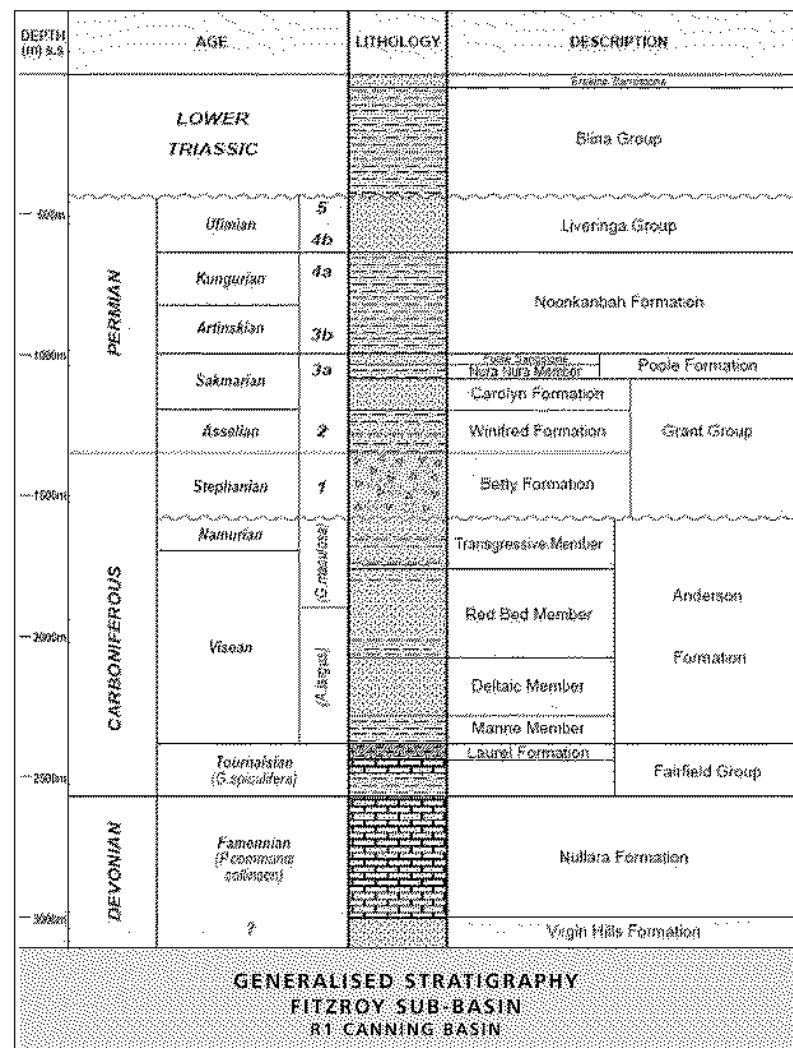


Figure 8-2. Stratigraphy Fitzroy Sub-Basin EP 104

Structure

The dominant structural feature of the Lennard Shelf is the northwest trending Pinnacle Fault, which controls many of the trapping mechanisms postulated for the northern Canning plays.

Within the EP 104(R5) and Retention Lease R1 vicinity of the Shelf the monoclinical dip into the Fitzroy Trough is interrupted by the Pinnacle Fault, providing fault closure to the north and some limited fault independent rollover closure adjacent to the fault (Point Torment field).

Source/Migration

Source for the hydrocarbon shows in EP 104(R5) and Retention Lease R1 is believed to be the thermally mature Late Devonian organic-rich marine shales of the Gogo Formation, with migration out of the Fitzroy Trough onto the Lennard Shelf via the Pinnacle Fault.

Seal

For Anderson Formation plays intra-formational marine and deltaic shales provide top seal, whilst up dip seal relies on the Pinnacle Fault, as at Point Torment. Note that deep channelling during the Permo-Carboniferous in the Point Torment vicinity compromises sealing for the uppermost unit of the Anderson Formation (Transgressive Member).

For the large Devonian stratigraphic prospect (see below) intra-formational seals of the Virgin Hills Formation are invoked.

Exploration History

- | | |
|------|--|
| 1955 | WAPET drilled Fraser River-1 well.
Gravity, aeromagnetic and seismic acquisition followed, with associated drilling. |
| 1977 | EP 104 gazetted. Drilling initially concentrated on Devonian carbonates of the Pillara complex.
Seismic acquisition and drilling peaked during the boom of the 1980s. |
| 1982 | Home Energy drilled Sundown-1 in EP 129 leading to exploration being concentrated on the Permo Carboniferous section (Grant & Anderson Formations).
Kora-1 drilled in EP104 with oil shows in Anderson Red Bed sequence. |
| 1984 | West Kora-1 drilled. Encountered shows in Carboniferous age Anderson & Laurel Formations.
Completed and ultimately produced 23,350 bbls of oil before being shut in. |
| 1987 | Command Energy drilled Padilpa-1, originally interpreted as a Pillara reef play. Well plugged and abandoned after drilling into a Carboniferous age gabbro intrusion. |
| 1992 | Anzoil drilled Point Torment-1 to test a Permo-Carboniferous fault trap to an initial TD of 1918 m. Numerous shows were encountered before the well was suspended.
Sole risk deepening to 2130 m was undertaken by Stirling Resources and Basin Oil: a 3 m zone in the Anderson Formation Marine Member flowed at a stabilised rate of 4.3 Mmcf/d. |
| 1994 | Point Torment-1 was again deepened to 2,603 m to test the potential of the remaining Carboniferous and Devonian sections. Good hydrocarbon shows were encountered, but the well tested tight. |
| 1996 | Oil flowed briefly from a shallower zone in Port Torment-1, believed to be derived from the Basal Deltaic A sand of the Anderson Formation Marine member. The current fifth renewal configuration of EP104 is much reduced from the original, and only one well, Padilpa-1, is located within the present permit boundary. Retention Lease R1 formed part of the former EP 104 permit and contains the Point Torment-1 well. Although seismic has been acquired offshore, no offshore wells have been drilled to date. |

Data Base

Modern seismic coverage in EP104 (R5) and Retention Lease R1 consists of 1500 line km of 2D data from 13 seismic surveys, acquired between 1978 and 1984. There are 7 relevant wells from within the permits and adjacent areas.

Play Types

- Marine & deltaic sands of the Anderson Formation relying on intra-formational seals and sourced by underlying organic rich shales of the Gogo Formation.
- Marine basin floor sands of the Laurel Formation and Virgin Hills Formation also relying on intra-formational seals and sourced by underlying organic rich shales of the Gogo Formation.
- Reefal and fractured limestones of the Nullara Group sealed by marine shales of the Laurel Formation and also sourced by the underlying organic rich shales of the Gogo Formation.

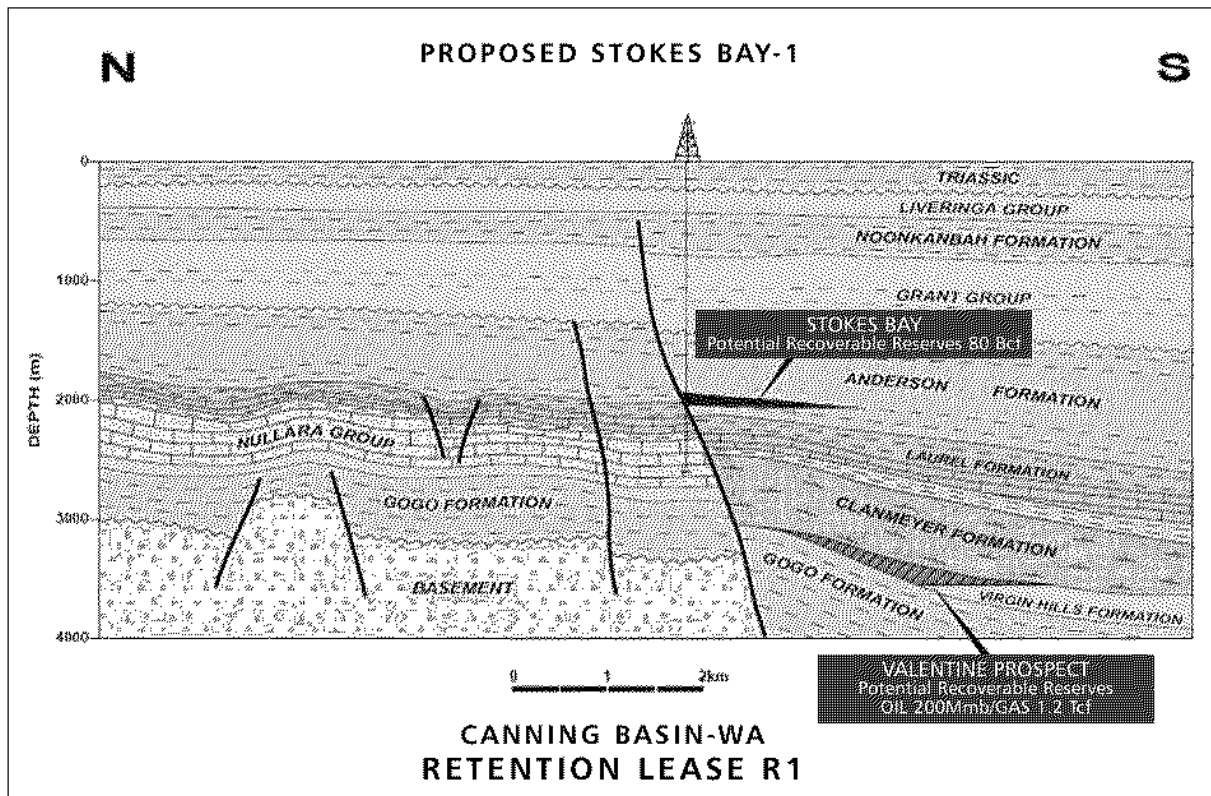


Figure 8-3. Diagrammatic Cross-Section Point Torment and Valentine Prospects (After Warris, B. 2003)

Petroleum Prospectivity

Point Torment Gas Field

The Point Torment-1 well flowed gas at a stabilised rate of 4.3 Mmcf/d with minor condensate. Subsequently during workover of the well oil flowed to surface but died. It has been suggested that this oil is derived from the Basal Deltaic A sand of the Anderson Formation Marine member.

The producing horizon at Point Torment-1 is the Anderson Formation, as shown in Figure 8-3.

The Anderson Formation unconformably overlies the Laurel Formation, and is itself unconformably overlain by the Grant Formation (Refer Table 1 (Stratigraphic Table)).

UNIT	DESCRIPTION
Transgressive Member (Youngest)	Marginal marine environment. Shales with interbedded sandstones deposited in beach, barrier island and tidal channel environments.
Red Bed Member	Terrestrial environment interpreted as flood plain shales and siltstones with meandering fluvialite sandstones, the latter expected to be discontinuous.
Deltaic Member	Prograding deltaic sands (10-20 m thick) separated by thin claystones.
Marine Member (Oldest)	Marine transgression – deposition of claystone with thin interbedded sandstones with one thicker (gas) sand. Sub-divided into Basal Deltaic B Sand (2025-2030 m) Basal Deltaic A Sand (2043-2058 m) Marine B Sand (2093-2096 m) – gas flow. Marine A Sand (2101-2130 m)

Table 1. Detailed Stratigraphy Anderson Formation at Point Torment-1 (Roe, Tait 2003)

FORMATION	TEST	TYPE	INTERVAL M.	RESULTS
Anderson	DST#1 (Anzoil)	Open Hole	2085.8-2096.5	Flowed gas @ 4.35 Mmcf/d stabilised
Nullara	DST#1 (Stirling)	Open Hole	2389.5-2470.5	Flowed gas @ 124 Mcf/d Trace of oil in drill string
Laurel	DST#2 (Stirling)	Open Hole	2260-2275	Misrun
Anderson	DST#3 (Stirling)	Cased Hole	2105-2184	Slight blow followed by packer failure. Misrun.
Nullara	DST#4 (Stirling)	Cased Hole	2391-2437	Misrun.
Nullara	DST#4RR1 (Stirling)	Cased Hole	2391-2437	Misrun.
Nullara	DST#4RR2 (Stirling)	Cased Hole	2391-2437	Misrun.
Nullara	DST#4RR3 (Stirling)	Cased Hole	2391-2437	Flowed gas @ 82 Mcf/d Trace of oil in mud.
Laurel	DST#5 (Stirling)	Cased Hole	2267.5-2280	Flowed gas @ 63 Mcf/d
Anderson	DST#6 (Stirling)	Cased Hole	2145.5-2163.5	Flowed gas at a rate too small to measure.

Table 2 Test Results. Point Torment-1

The well has thus encountered significant hydrocarbon shows over an interval in excess of 350 metres.

Structurally the Point Torment feature is mapped as a closure against the Pinnacle Fault with the beds having a southwest dip. Closure is enhanced by the curvature of the Pinnacle Fault at this location (concave to south west). Minor rollover into the fault is noted, but is not regarded as significant in establishing an economic reserve at Point Torment. Encouragingly a broad region of amplitude anomalies is noted in the Point Torment area, but these cannot be interpreted with any certainty at this stage.

Top seal is provided by intra-formational shale intervals, whilst up dip seal depends on closure against the Pinnacle Fault. Note that for the Transgressive Member, located at the top of the Anderson Formation, top seal is probably compromised by deep channelling in Grant Formation time.

Potential Hydrocarbon Resource Point Torment Field

Bounty Oil & Gas's 2001 Technical Review of the permit area calculated unrisks recoverable gas for the Marine B sand at Point Torment as follows:

These calculations were based on interpreted net pay of 3.05 m, an average porosity of 20%, an average water saturation of 46.2% and areal closures within the range 4 to 41 sq km, with the most likely case being 21 sq. km.

(Note: Figures have been rounded in order to reflect the accuracy of the estimates)

UNIT	MINIMUM	MOST LIKELY	MAXIMUM
Anderson Formation	6 Bcf	34 Bcf	67 Bcf
Marine B Sand			

Market

In 2004 the joint venture negotiated an agreement with LNG International Pty Ltd, a subsidiary of Avon Resources, for the sale of 6 Mmcf/d of gas at a price of \$2.70 per gigajoule provided the joint venture proves up recoverable reserves of 35 Bcf or greater. This would have required the drilling of at least one more well, more probably a third Point Torment field well. The Point Torment field thus offers the potential for commercial production within the short term (2-3 years) provided that appraisal drilling within the field proves successful.

At the time LNG International indicated that they would consider building a 20 km pipeline to Derby where they would construct a small LPG plant, from which they would truck product. The agreement with LNG International Pty Ltd has now lapsed, but the market potential, mainly related to local mining operations, remains unfulfilled.

The joint venture would thus seem to have the options of renewing negotiations with an LNG intermediary, or negotiating directly with mining companies. At this stage no firm agreement is in place.

Valentine Prospect

The Valentine Prospect consists of a basin floor fan located on the downthrown side of the Pinnacle Fault (refer Figure 8-3 (diagrammatic cross section))

- The Prospect is a seismically defined stratigraphic trap in the Late Devonian Virgin Hills Formation.
- The Virgin Hills Formation fan pinches out up-dip against the Pinnacle Fault and dips to the southeast. As for the Point Torment trap, the fault closure is enhanced by the curvature of the Pinnacle Fault in the vicinity of the Prospect.
- Two main erosional channels can be mapped which are believed to have eroded large volumes of sand and deposited them into deeper water on the downthrown side of the Pinnacle Fault (Figure 8-4 (Two Way Time map)).
- The unrisks potential hydrocarbon resource is estimated at up to 1.2 Tcf of gas (recoverable) or 200 million barrels (recoverable) of oil.
- As mapped 70% of the Prospect lies within R1, with the remaining 30% located within L98-1. Note that the joint venture has as yet no title to the L98-1 portion as the Application has not been granted as of the date of this Report.
- The reservoir quality of the objective sandstones within the basin-floor fan of the Valentine Prospect is uncertain – the nearest well intersecting the Virgin Hills section is Puratte-1, located 50 km to the west (Figure 8-1 (Location Map)). Here sands have log-derived porosities ranging up to 24%, averaging just under 16%.

In summary

- The Valentine Prospect has significant elements of risk related to potential reservoir quality and especially the efficiency of the up-dip seal against the Pinnacle fault.
- As against this, the potential size of the prospect is such that if successful it would have the capacity to significantly impact the market value of the companies involved in the joint venture, all of whom would be classified as "Junior Explorers".

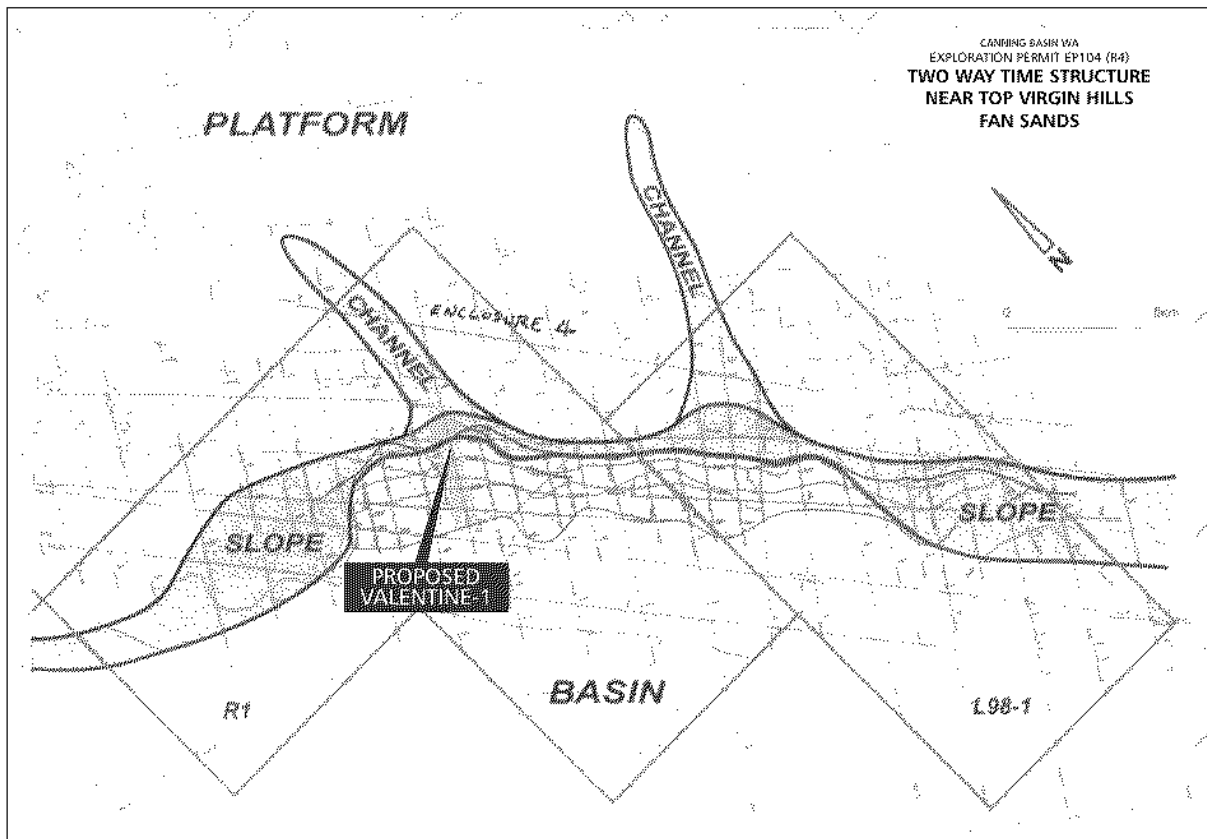


Figure 8-4. Two Way Time Structure Map Near Top Virgin Hills Fan Sands (After Warris 2003)

Exploration Programme & Commitments

The outstanding work commitment for EP 104(R5) is the drilling of one well, which will be met by the drilling of Stokes Bay-1 in the adjacent permit R1 under the terms of an agreement with the WA Department of Mines.

YEAR	WORK COMMITMENT	ESTIMATED COST
5	1 well	\$2,400,000

The current joint venture partners are as follows:

COMPANY	EP 104(R5)	R1	L98-1
Empire Oil & Gas NL held through its wholly owned subsidiary Gulliver Productions Pty Ltd)	54.0%	54.0%	49.0%
Indigo Oil Pty Ltd	17.4%	17.4%	8.0%
Kimberley Oil NL (Golden Dynasty)	8.0%	8.0%	12.0%
First Australian Resources Limited	8.0%	8.0%	12.0%
Pancontinental Oil & Gas NL	8.0%	8.0%	12.0%
Pelsoil Limited	4.6%	4.6%	7.0%

Under the terms of the Farmin Agreement with Empire Oil, Emerald Gas has the right to earn an 18.75% working interest in both EP 104(R5) and Retention Lease R1 by contributing 25% of the cost of the Stokes Bay-1 well, estimated to cost \$2.4 million.

Retention Lease R1 was granted in August 2003 and has the following work commitments:

YEAR	WORK COMMITMENT	ESTIMATED COST
1	Data Review	\$50,000
2	Seismic Reprocessing	\$100,000
3	Seismic Reprocessing	\$100,000
4	1 well	\$1,700,000
5	Data Review	\$50,000

Retention Lease R1 contains the Point Torment-1 gas discovery well which flowed at 4.3 Mmcf per day in 1992.

Emerald Gas also has the right to participate at the same promotion terms in Application L98-1, which covers an area of 250 sq. km and contains the Kora-1 and West Kora-1 wells. Application L98-1 is still being processed by the WA government. The work programme for this permit, if granted, will be the restoration of West Kora-1 production.

Access & Infrastructure

As is the case for the Blina and Sundown oil fields, oil can be trucked via the Great North Highway to the Port of Broome for shipping to Perth. The Great North Highway runs 30-100 km to the south of the permits.

Gas development would be subject to the same factors as apply for Point Torment.

Comments

It is our view that the proposed programme and expenditure for the EP 104(4) and R1 permits is soundly based on the results of previous exploration, and is both appropriate and reasonable having regard to the potential for further hydrocarbon discoveries in these areas.

Title

The legal issue of title validity is outside the scope of this report.

Declarations

Sources of Information

This report has been based on information supplied by the Operator of EP 104(5) and R1 permits and also draws on published reports and a review carried out by Bounty Oil.

References

Roe L. (Bounty Oil & Gas NL) *Technical Review EP 104 Western Australia for EP 104 Joint Venture 2001* (Confidential In-house Report)

Warris Dr. B. *The Hydrocarbon Potential of the Valentine Prospect R1 & L98-1 Canning Basin Western Australia 2003*.

Previous Geological Reports

The Directors of Emerald Gas have advised that the Company has commissioned no prior Independent Geological Reports relating to the areas dealt with herein.

Site Inspection

As is usually the case with petroleum exploration properties it has not been deemed necessary to conduct inspections on location for EP 104 and R1.

Limitations & Risk

In preparing this report we have relied on information made available by Operator of EP 104 and R1 permits. A draft of this report was supplied to Emerald Gas for comment regarding errors of fact.

Exploration for hydrocarbons is inherently speculative. There is as yet no direct method for determining the presence of commercial hydrocarbons prior to the drilling of an exploration well. There is always a risk that any given potential trap will not contain hydrocarbons by reason of failure of any one of the critical factors required for success. This may include, but is not limited to, inappropriately placed or timed hydrocarbon generation or migration, ineffective seal or later disruption of the trap. A potential trap may also contain non-commercial volumes due to adverse reservoir conditions, or inadequate hydrocarbon charge. In this report discussion of potential traps, including structures, features and culminations, and of related potential hydrocarbon volumes, should not be taken to imply that a commercial accumulation is known to exist.

Qualifications

Jack Mulready, Principal Consultant for Mulready Consulting Services Pty Ltd, graduated from Melbourne University with a B.Sc. (Geology) in 1963 and B.A. in 1999, and from RMIT with a Fellowship Diploma in Management in 1978. He has over 35 years experience within the petroleum exploration and production industry in Australia, New Zealand, Indonesia, Papua New Guinea, and East Africa.

He is a member of the Petroleum Exploration Society of Australia, the Geological Society of Australia, and the American Association of Petroleum Geologists (Certified Petroleum Geologist No. 5321), and is subject to the code of ethics of these bodies. He has prepared numerous Independent Geologist's reports and valuations for a variety of Australian and international companies in accordance with the requirements of the Australian Securities and Investment Commission.

Independence

Neither Mulready Consulting Services Pty Ltd nor any of its employees or Associates have any direct or indirect interest in the pending licences that are the subject of this report, nor in any adjacent licence or pending licence, or in the securities of any of the public companies involved. Mulready Consulting Services Pty Ltd will be paid a fee of \$2,000 exclusive of GST for the preparation of this report, payment for which is not dependent on the success of Emerald Gas's capital raising.

Conformity

This report has been prepared in conformity with the requirements of the Australian Securities and Investment Commission.

Date

This report is based on data available as of March 2006.

Consent

Mulready Consulting Services Pty Ltd consent to the inclusion of this report in Emerald Gas's Prospectus dated on or about March 24th 2006, in the form and context in which it has been prepared.



Jack N. Mulready

Petroleum Geologist, BSc.,B.A., Fell. RMIT (Management),
AAPG Certified Petroleum Geologist No. 5321, MGSA, MPESA.

Financial Information

9.1 Pro Forma Consolidated Statement of Financial Position

Set out below, for the purposes of illustration only, is a pro forma statement of financial position of the Company after taking into account the Issue. It is based on the unaudited statement of financial position of the Company as at the date of DOCA Completion (23 January 2006) and the unaudited financial position of Emerald Gas as at 31 December 2005, assuming that Completion has occurred and the costs of the Issue contemplated by this Prospectus have been paid and written off against contributed equity.

The pro-forma consolidated statement of financial position presented in this Section should also be read in conjunction with Section 13 (Risk Factors) and other information contained in this Prospectus.

The financial information is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

	\$
Current Assets	
Cash Assets	2,976,990
Exploration properties	323,000
Total Current Assets	3,299,990
Non-Current Assets	0
Total Assets	3,299,990
Current Liabilities	0
Total Liabilities	0
Net Assets	3,299,990

The unaudited pro forma statement of financial position assumes:

- (i) The Capital Raising is completed without Over-subscriptions and all Transaction Costs (brokerage fees, ASX fees and other expenses of the Transaction (totalling \$539,010)) have been paid and applied against equity.
- (ii) Emerald Gas's net cash at Completion is \$216,000 ie a depletion of \$406,196 on the position as at 31 December 2005;
- (iii) Out of Emerald Gas's cash reserves as at 31 December 2005, \$183,000 has been paid to exercise the Participation Interest Options, and to pay its share of land; seismic, geology and prospect fees and \$140,000 has been spent on the Hamlet project.
- (iv) Matrix's net Completion Date cash position is \$300,000.
- (v) No value is attributed to the exploration assets of Emerald in excess of the \$183,000 option payment and the \$140,000 expended on the Hamlet project.
- (vi) None of the Existing Director Options have been exercised.
- (vii) No acceptances are received under the Shareholder Offer. Cash could increase by up to \$500,000 depending on the level of acceptance of the Shareholder Offer.

For details on the financial position of the Company if Completion does not occur, please refer to Section 14.

9.2 Incorporation by Reference

As permitted by section 712 of the Corporations Act, the following documents that have been lodged by the Company with ASIC are referred to and this Prospectus is taken to include them:

- (a) the 15 December 2005 Notice.

The Company will give a copy of the above documents free of charge to anyone who asks for them during the application period of this Prospectus.

Capital Structure

At Completion the capital structure of the Company will, subject to the assumptions below, be as follows:

	NUMBER
Shares held by Existing Shareholders	9,750,000
Shares issued under the Public Offer	15,000,000
Shares issued to Vendors for the acquisition of Emerald Gas	17,600,000
Over-subscriptions	2,500,000
Shares issued to Daytona	750,000
Maximum number of Shares on Issue at Completion	45,600,000
Existing Partly Paid Shares on issue	120,124*
Options	27,250,000
Existing Director Options	661,432**
Management Options	4,000,000
Ventnor Options	1,500,000

The capital structure of the Company in the table above assumes the following transactions had taken place at Completion:

- (i) the issue of 416,666,667 Shares (pre Consolidation) pursuant to the Prospectus at an issue price of \$0.0012 each to raise \$500,000 i.e. the Shareholder Offer is fully subscribed;
- (ii) the issue of 15,000,000 Shares pursuant to the Prospectus at an issue price of 20 cents each to raise \$3,000,000 i.e. the Public Offer is fully subscribed;
- (iii) the allotment of Over-subscriptions of 2,500,000 Shares pursuant to the Prospectus at an issue price of 20 cents each to raise \$500,000, i.e. the Over-subscriptions are allotted in full;
- (iv) the issue of 27,250,000 free Options to the Cash Subscribers and the Expanded Matrix Shareholders, including 2,500,000 Options attaching to Shares issued as Over-subscriptions;
- (v) the acquisition of the Emerald Gas Shares by the Company and the issue of 17,600,000 Shares to the Vendors;
- (vi) the Consolidation is approved by Shareholders at the General Meeting and Existing Fully Paid Shares and New Fully Paid Shares are converted to 9,750,000 Shares;
- (vii) the issue of 750,000 Shares to Daytona;
- (viii) the issue of the Management Options; and
- (ix) the issue of the Ventnor Options.

* As a result of the Consolidation (assuming the Shareholder Offer is fully subscribed) the amount due on each of the Partly Paid Shares will be \$19.9794 each. It is expected, therefore, that these securities will be forfeited once a call is made which the Directors intend to make.

** As a result of the Consolidation (assuming the Shareholder Offer is fully subscribed) the exercise price of the Existing Director Options will adjust to \$0.1768 each.

Market Prices of Existing Shares on ASX

Matrix is already admitted to the official list of ASX however trading in its Shares was suspended on 16 October 2002. Following completion of the Recapitalisation and the Issue, it is not expected that quotation will commence until the Company complies with Chapters 1, 2 and 11 of the Listing Rules.

Solicitor's Report on USA Interests

ALLISON & SHOEMAKER, L.L.P.

A Registered Limited Liability Partnership
ATTORNEYS AND COUNSELORS

7887 SAN FELIPE
SUITE 200
HOUSTON, TEXAS 77063

PAT E. ALLISON
Board Certified - Oil, Gas and Mineral Law
Texas Board of Legal Specialization

TELEPHONE: 713-334-9350
TELEFAX: 713-334-9625
E-MAIL ADDRESS: pallison@alshoe.com

March 22, 2006
The Directors
Matrix Oil NL

Dear Sirs,

Independent Legal Report on USA Leases

We have prepared this report for inclusion in a Prospectus to be issued by Matrix Oil NL ("Matrix") to be dated on or about March 23, 2006, relating to the Public Offer by Matrix of 15 million ordinary Shares of twenty cents each, payable in full on application to raise \$3,000,000, but with up to 2.5 million in Over-subscriptions to raise up to \$500,000, with each Share carrying one attaching option exercisable at 20 cents per Share on or before 31 May 2008. Matrix has entered into an agreement to acquire 100% of the outstanding share capital of Emerald Gas Limited, an Australian registered company which, through its Texas registered wholly owned subsidiary Emerald Gas USA LLC has entered into Option and Participation agreements over four oil and gas prospects located in Texas, Mississippi and North Dakota USA. Following shareholder approval of the acquisition Matrix is to be renamed Emerald Oil & Gas NL and participate in the exploration of the oil and gas properties.

Oil and Gas Ownership and Leasing in the United States

The ownership of hydrocarbons in the United States is different from almost all other countries in that the owners of the surface of the land also own the minerals underlying it. As a result, private individuals most typically own the minerals although the mineral estate is often severed from the surface estate which can result in different owners of the two estates. When the initial land grants were made in the U.S., the sovereign (government) usually did not reserve the minerals, as is common in the rest of the world. Hence, the original land grantees owned not only the surface of the land but all of the minerals underlying it from the surface to all depths. Over time, the minerals may have been severed from the surface so that different parties own the surface and the minerals.

While in the ground, oil and gas are considered to be real property and the real property laws of the state in which the oil and gas is located govern ownership rights. The process by which an exploration and production ("E&P") company obtains title to oil and gas as well as the right to explore for and produce hydrocarbons in the various states of the United States is through the acquisition of oil and gas leases from the holder of the mineral rights. This is true in the states of Texas, Mississippi and North Dakota, where the exclusive options to acquire leases are held by Emerald Gas USA LLC (a Texas limited liability company, which is a wholly owned subsidiary of Emerald Gas Limited). The process is complex given that over time since the original land grants from the government, the ownership of most land has passed both through inheritance to numerous descendants and conveyances to third parties. In Texas, the original land grants were made by Spain, Mexico and the state of Texas, while the original land grants were made by the federal government in North Dakota and Mississippi. The surface owner has the right not only to convey its interest in the surface, but it may also sever the underlying minerals from the surface, either by grant or reservation in a deed and this often occurred in periods of hard economic times, such as the Great Depression. As a result, numerous parties may hold the undivided mineral rights underlying particular tracts of land.

Securing all of the oil and gas rights to a particular tract of land requires that the E&P company determine ownership and then conduct negotiations to acquire leases from these owners. In order to independently verify that the parties with whom a company is dealing are the correct and sole holders of the mineral rights and to analyze the full rights and restrictions applying to the interest held by those parties requires that a company obtain detailed title opinions from qualified title attorneys licensed to practice in the state in which the property is located. This is typically a lengthy and fairly expensive process given the chain of conveyances which have occurred over time, resulting in fractional ownership, and the

final title opinions may contain numerous qualifications and curative requirements. It is therefore customary that such title opinions are not rendered until the company proposes to conduct a drilling operation or expend significant amounts of money on a particular lease or leases. At that time, a drill site title opinion will be rendered which sets forth, in great detail, the interest of all parties with an interest in the property, including the minerals and the surface. The title attorney will study all conveyance documents in the chain of title (typically starting with the original land grant) which are recorded in the conveyance records of the county in which the land is located, which are filed in the county court house. After examination of all records, the title attorney will issue an opinion concerning the ownership of the minerals, showing the fractional interests and kind of ownership (such as royalty, working interest or overriding royalty interest), which interests are shown to six decimal places.

Emerald has adopted this customary approach and, accordingly, will not obtain title opinions on its leases until the drilling of a well is proposed in the near future. As a consequence there is a possibility, although somewhat remote, that third parties may hold or claim mineral rights in relation to the leases that have been taken. This is an acceptable risk that E&P companies are willing to take, as long as adequate leasing procedures were followed. The respective operators of Emerald's projects will obtain a title opinion prepared by a qualified title attorney immediately prior to the commencement of the drilling of a well. In the event that, at such time, marketable title cannot be determined for the drill site, then drilling on that tract within the prospect would be delayed until marketable title can be obtained, by meeting the curative requirements listed in the title opinion, such as obtaining decedent's probate filings or various affidavits of ownership (such as affidavit of heirship, use and possession, identity and non-production) or acquiring additional leases. Alternatively, another acceptable drilling site held by the company would be identified where title is good.

While it is not possible to know with absolute certainty whether title is held by the lessors without a full title opinion, the parties obtaining the leases usually follow a fairly rigorous examination of the records prior to acquiring the leases from particular parties. This process was followed in the acquisition of leases in the Pandura Prospect, Webb County, Texas; the Progresso Prospect, Hidalgo County, Texas; the Sharon North Prospect, Jasper County, Mississippi; and the Hamlet Prospect, Renville County, North Dakota. First, the person representing the E&P company, typically a lease broker or landman, will visit the tax appraisal district office to determine who is paying taxes on the tract. Once that is determined, the landman will use the grantee-grantor and grantor-grantee indices in the records of the county courthouse to take title back for a certain period of time to determine if the tract is currently under lease to another company. There are other methods of double-checking this such as land maps prepared by various companies which will show leased property and production. Additionally, the landman may research the records of any state agency which regulates oil and gas exploration and production in order to confirm that mineral rights are not being maintained by the production of hydrocarbons under previous oil, gas and mineral leases.

All hydrocarbon operations in the United States are subject to the jurisdiction of a multitude of the regulatory agencies of the state where the property is located. The primary agency with responsibility for oil and gas operations in Texas is the Texas Railroad Commission; in Mississippi, the Mississippi State Oil and Gas Board; and in North Dakota, the North Dakota Industrial Commission through its Oil and Gas Division. Each state has different regulations relating to drilling, production, well spacing, unitization of the acreage with that of another operator, and transportation of oil and gas. Strict compliance with state laws and regulations is required. A drilling permit is required from one of these state agencies before drilling of a well can commence. Permits are also required for such operations as seismic drilling, reconditioning and plugging and abandoning the well. Failure to comply can result in enforcement action against the parties conducting the operations.

In addition to the oil and gas agencies, there are other state agencies that oversee oil and gas operations, most notably environmental agencies responsible for air and water quality as well as the condition of the surface of the land, which can be impacted by oil and gas operations. They ensure compliance with the various state environmental laws and regulations and have enforcement authority. The environmental regulations apply from the commencement of operations on the lease through the plugging and abandonment of the wells and the reclamation of the surface. The oil and gas lease may contain other requirements in this regard. If the minerals are owned by a different entity than the surface, the surface owner may make further requirements. In addition to state environmental regulations, there are also federal environmental laws that apply to operations. As a result, it is important that a party investing in such operations align itself with an operator that has expertise in each area of operations.

Acquisition of Interest in Oil and Gas Leases by Emerald in United States

Emerald has entered into Option and Participation Agreements with affiliates of Daytona Energy Corporation ("Daytona Energy") which give Emerald the exclusive option to acquire an interest in oil and gas leases covering acreage located in Webb County and Hidalgo County, Texas (the Pandura Prospect and Hidalgo Prospect, respectively) and the Sharon North Prospect, Jasper County, Mississippi. The oil and gas rights in these areas are owned by private individuals who have executed oil and gas leases in favor of Daytona Energy, who will assign an interest in the leases to Emerald when it exercises its option in each Prospect. The term "gross acres" used below refers to the total acreage included in the Prospect, while the term "net acres" refers to the gross acreage multiplied by the interest held by the lessors in such acres.

Emerald may elect to receive between a 10% to 15% working interest in the Pandura Prospect, which is comprised of one lease totaling approximately 420.53 gross acres and 377.84 net acres, more or less. Emerald may elect to acquire a 30% working interest in the Progresso Prospect which is comprised of several leases currently totaling 412.014 gross acres and

378.542 net acres, more or less. Following the closing of a transaction between Daytona Energy and the lessee of additional acreage, which is expected to occur soon, the acreage position in the Progresso Prospect should increase to approximately 682.774 gross acres and 552.921 net acres, more or less. Emerald's option allows it to elect to receive a 25% working interest in the Sharon North Prospect, comprised of several leases totaling approximately 595.8 gross acres and 439.5 net acres, more or less. Upon exercising its various options, Emerald will jointly explore, develop and produce this acreage pursuant to the terms of the applicable Option and Participation Agreement and a standard form Operating Agreement, which names Daytona Energy as Operator. Emerald will be a Non-Operator. Additional leases may be jointly acquired in these Prospects during the three year term of the Option and Participation Agreement. The term of the Option and Participation Agreements can be extended by mutual consent.

Emerald will be subject to its pro rata share of burdens on production including royalties and overriding royalties. The Pandura Prospect lease has a 25% royalty on production payable to the lessors and an overriding royalty of 2%. The combined royalties and overriding royalties for the leases in the Progresso Prospect total 22% of all production. The royalties for the leases in the Sharon North Prospect vary from 18.75% to 22.5% and there is an overriding royalty of 1 to 1.5% depending on the amount of the royalties for each lease. The leases in the Hamlet Prospect have royalties ranging from 12.5% to 15% and overriding royalties of 5%.

In addition, Emerald has entered into a Memorandum of Understanding with Daytona which gives Emerald the right to acquire 50% of the interest acquired by Daytona Energy in a large Area of Mutual Interest in southeast Texas which has an initial term of three years, which can be extended by mutual agreement.

Emerald also entered into a Participation Agreement with Golden Eye Resources, LLC, which gave Emerald the exclusive option to acquire an 18.75% working interest in the leases held by Golden Eye in the Hamlet Prospect, Renville County, North Dakota, which comprise approximately 3027 gross mineral acres and 2682 net acres, more or less. The oil and gas rights in these areas are owned by private individuals who have executed oil and gas leases in favor of Golden Eye, who will assign an 18.75 % working interest in the leases to Emerald. Emerald exercised its option in January 2006, paid the Prospect Fee of \$18,750 and dry hole costs of approximately \$103,000, participated in the Initial Test Well and earned its 18.75% interest in the acreage. Royalties range from 12.5% to 15% and there are overriding royalties of 5%. Golden Eye and Emerald will jointly explore, develop and produce this acreage pursuant to the terms of the Participation Agreement and a standard form Operating Agreement, which names Golden Eye as Operator.

Daytona provided copies of lease schedules, plat maps, executed leases and in some cases lease purchase reports prepared by Daytona regarding the leases in the Pandura, Progresso and Sharon North Prospects. The lease purchase reports usually had copies of checks or drafts for payment of the lease bonuses. We reviewed these documents, which confirmed the information Daytona supplied us regarding the leases with the exception of the assignment of the Mendex leases in the Progresso Prospect, which have not yet been made, but which Daytona reports will be forthcoming in the near future.

The oil and gas leases in which Emerald has an option to acquire a working interest are with the numerous parties that hold title to the oil and gas rights to the relevant areas. Given the substantial number of leases, Emerald has not obtained detailed title opinions on any of the leases but drillsite title opinions will be performed on every drillsite tract prior to drilling, in conformance with good industry practice.

Any company wishing to conduct business in the states of Texas, North Dakota, and Mississippi, which includes holding an interest in any oil and gas lease, must be qualified to do business in that state by submitting the proper documentation to the Secretary of State of each state and being issued a Certificate of Good Standing. Emerald is established as a limited liability corporation in Texas and is in good standing there. Emerald will become qualified to conduct business in the states of North Dakota and Mississippi before acquiring an interest in those states.

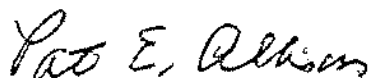
Consent

In preparing this report we have relied upon information provided by third parties, which we have assumed to be accurate and up to date. During the scope of preparing this report, nothing has come to our attention which suggests this information is inaccurate or incomplete.

Allison & Shoemaker LLP consents to being named in this Prospectus as being responsible for the preparation of this report. Except for preparing this report we have not authorized or caused the issuance of this Prospectus.

Allison & Shoemaker LLP has provided and continues to provide legal advice to Emerald Gas Limited, for which it has been paid and will be paid usual professional fees. Allison & Shoemaker LLP has been instructed by Matrix to prepare this report, and will be paid for work performed in relation to this report.

Yours faithfully,



Allison & Shoemaker

Solicitors' Report on Australian Interests

Jeremy Shervington

BARRISTER & SOLICITOR

52 ORD STREET

WEST PERTH WA 6005

Telephone: (08) 9481 8760

Facsimile: (08) 9481 5142

E-mail: jds@fsps.com.au

Mobile: 0428 481 870

Our Ref: JDS:20050212

27 February 2006

The Directors
Matrix Oil NL
52 Ord Street
WEST PERTH WA 6005

Dear Sirs,

Solicitors' Report on Australian Interests

1. Introduction

This report has been prepared for inclusion in the prospectus ("Prospectus") to be issued by Matrix Oil NL ("Company") for the issue of 15,000,000 ordinary fully paid Shares at \$0.20 per Share, together with one free attaching option for every Share allotted to raise up to \$3,000,000, and with the capacity to accept Over-subscriptions of up to a further 2,500,000 ordinary fully paid Shares at 20 cents each and up to 2,500,000 free attaching Options to raise a further \$500,000.

The report relates to:

- Western Australian petroleum tenements in which the Company has or intends to acquire an interest. The relevant tenements ("Tenements") are set out in Schedule "A" to this report.
- The general native title and indigenous cultural heritage issues that are relevant to the Tenements; and
- The contracts that materially affect the Tenements ("Material Contracts"), and which are summarised in Schedule "B" to this report.

It is noted that the Tenements are not held by the Company but that the Company will acquire an indirect interest in the Tenements by becoming the 100% owner of Emerald Gas Limited ("Emerald Gas"), the company that is entitled to acquire the interests in the Tenements.

2. Searches

2.1 Tenement Searches

On 20 January 2006 we conducted searches of the Tenements in the public registers maintained by the Western Australian Department of Industry and Resources ("DoIR"). We have not conducted any search of any files or other information relating to the Tenements that may be held by DoIR.

2.2 Native Title Searches

On 13 January 2006 we conducted searches of the National Native Title Tribunal ("NNTT") registers and schedule to determine if any native title applications, native title determinations or Indigenous Land Use Agreements ("ILUA") exist in relation to land the subject of the Tenements.

2.3 Aboriginal Heritage Searches

On 22 January 2006 we conducted an on-line search of the West Australian Register of Aboriginal Sites for the purpose of identifying any particular Aboriginal cultural heritage issues that may affect the Tenements.

2.4 Land Tenure

We are not instructed to conduct any investigations in relation to the tenure history of the land the subject of the Tenements for the purpose of identifying land in relation to which native title may be extinguished.

2.5 Searches and Tenements

The information contained within this report relating to the particulars of the Tenements and native title reflects the information contained within the above registers as at the above dates.

Where the Tenements are not yet granted or are subject to renewal, we express no opinion as to whether such Tenement applications will be granted or whether such renewal applications will be successful.

3. Opinion

- 3.1 As a result of the above searches and our examination of the Material Contracts, we confirm (subject to our comments in this report) that:
- (1) the Tenements are in good standing.
 - (2) Emerald Gas's interests in the Tenements arise pursuant to the relevant Material Contracts summarised in the Material Contracts summary set out in Schedule "B" to this report ("**Material Contracts Summary**"). The Material Contracts establish contractual rights to acquire interests in the Tenements which interests may subsequently be registered on the Tenements.
- 3.2 A transfer of an interest in the Tenements to Emerald Gas will depend on Emerald Gas and other parties complying with the applicable terms of the relevant Material Contracts and on the Western Australian Minister for State Development ("**Minister**") consenting, where required, to the transfer of the relevant interest in the Tenements concerned to Emerald Gas. It is noted that Emerald Gas's rights to acquire an interest in the Tenements is also subject to the condition that Emerald Gas lists on the Australian Stock Exchange or merges with a listed entity by 31 March 2006 or such other date as is agreed ("**Listing Condition**").
- 3.3 We express no opinion as to whether the Minister will consent to the transfer of the relevant interest in the Tenements, or on whether Emerald Gas will ultimately acquire any interest in the Tenements. We also express no opinion on the prospects of Emerald Gas fulfilling the Listing Condition.

4. Western Australian Petroleum Tenements

4.1 Background

The Tenements in respect of which Emerald Gas has entered into agreements to acquire an interest, are EP 104, RL R1 and the application for a production licence over an area recorded by DOIR as L1/98-9, located in the Canning Basin. RL R1 and L1/98-9 are over land formerly within the permit EP 104.

Searches were undertaken with DOIR and used to confirm the currency of the Tenements, and to identify any encumbrances registered against those tenements. However, the nature of these searches is such that neither we nor DOIR can guarantee that all interests have been identified.

4.2 Work Requirements

The granted Tenements contain the following minimum work requirements for the current term, as conditions of each tenement. The shaded areas represent the years in the current term of the grant that have elapsed.

YEAR	EP104	RLR1 ^{**}
1.	\$2,000,000 – One Exploration Well	\$50,000 – Data review
2.	\$50,000 – 3D Seismic Reprocessing	\$100,000 – Seismic reprocessing
3.	\$350,000 – 50km New 2D Seismic Survey	\$100,000 – Seismic reprocessing
4.	\$100,000 – Seismic Interpretation	\$1,700,000 – Drilling of one well
5.	\$1,500,000 – One Exploration Well	\$50,000 – Data review

Table 1 – Minimum Work Requirements

^{*} At the date of this Report, EP 104 is in year 1 of its current term.

^{**} At the date of this Report, RL R1 is in year 3 of its current term.

4.3 EP 104

- (a) Initially granted on 1 September 1977 (the original holders have divested their interest in this tenement), the original area of the permit was 199 graticular blocks. Currently, the area of EP 104 spans 9 graticular blocks and the current term expires on 3 April 2010.
- (b) Since the initial grant of EP 104, several transfers and dealings affecting the permit have been negotiated and endorsed on the public register. Current registered dealings affecting the permit are:
 - (i) a joint operating agreement dated 14 January 1999 established a joint venture between the tenement holders to govern the ongoing exploration and development of EP 104. The agreement regulates the relations between the holders of EP 104, including the appointment (and removal) of an operator, preparation and approval of exploration budgets, development of work programmes, authorising expenses, disposal of oil and procedures for assigning interests in the permit. The joint operating agreement provides for sole risk operations where less than the total joint venture partners may undertake work over the permit area; and
 - (ii) under a sale agreement dated 11 August 2005, Voyager (PB) Limited assigned its 34% interest in EP104 to Gulliver Productions Pty Ltd.

4.4 RL R1

- (a) RL R1 was granted on 29 August 2003 and incorporates three graticular blocks that were formerly within the permit area of EP 104.
- (b) A notation is made in the register maintained by DOIR affecting RL R1 that all dealings and applications for dealings entered into that register against EP104 prior to the issue of RL R1 may affect RL R1. Since the initial grant of EP104, one transfer has been noted on the public register under a sale agreement dated 11 August 2005, Voyager(PB) Limited assigned its 34% interest in RL R1 to Gulliver Productions Pty Ltd.

4.5 Application of L1/98-9

- (a) Application L1/98-9 is for the grant of a production licence under the WA Petroleum Act. The application consists of two graticular blocks. The two blocks the subject of the application are located in a relinquished part of the EP 104 area, and were formerly part of that permit.
- (b) The application for the production licence (dated 9 December 1998) was lodged by E-Corn Multi Limited (formerly Stirling Resources NL) who was the operator at that time of the EP 104 joint venture (pursuant to the joint operating agreement described in paragraph 4.3(b)(i) above.
- (c) At the date of this Report, the grant of the licence was pending.

4.6 EPs, RLs and PLs – Terms and Conditions

The legislation governing the terms and conditions applicable to EPs, RLs and PLs is the WA Petroleum Act. Key aspects of that legislation are:

- (a) **Exploration Permit (EP)**
 - (i) The holder of an EP is authorised to explore for petroleum and generally to conduct operations and undertake work that is necessary to explore for petroleum within the permit area. Exploring for petroleum includes conducting geophysical surveys in respect of which the survey results are used to search for petroleum. All field works undertaken under an EP must be strictly in accordance with any ministerial directions and with the approval in writing by the WA Minister.

- (ii) An EP is generally granted for a period of 6 years. If the conditions of the EP are being fulfilled, the holder may apply to renew the EP for further terms of 5 years each although each renewal will be for a reduced area of half the then number of blocks in the EP (excluding location blocks – explained in paragraph 4.6(a)(v) below). An EP may have a maximum area of not more than 400 blocks.
- (iii) The holder of an EP is required to proceed with operations in accordance with the conditions of the permit, any other requirements and conditions set out by the WA Minister and in accordance with WA Petroleum Act.
- (iv) If petroleum is discovered from operations carried out under the EP, the holder of the permit must immediately report the discovery to the WA Minister and within 3 days after the date of the discovery, provide written details about the discovery to the WA Minister. The WA Minister is entitled to request additional information about the discovery such as the chemical composition and physical properties and the nature of the strata in which the petroleum is found. The WA Minister may direct the holder of an EP to carry out such further activities and enquiries to ascertain specific details about the petroleum discovery including the quantity of petroleum in the relevant discovery.
- (v) Upon discovery and recovery of the petroleum from a site, the holder of the permit may apply to nominate the block over which the petroleum is discovered as a location. Alternatively, the WA Minister can direct the tenement holder to take the necessary steps to nominate the site as a location. The WA Minister may nominate the site itself as a location if the EP holders fail to do so. Under the WA Petroleum Act, a location is a declared site recording the discovery of petroleum within the EP. This area can be retained by the EP holder for further development under an RL or an application can be made for a production licence should the discovery be commercially viable.
- (vi) The holders of an EP must pay a royalty to the Crown on the value (at the well head) of petroleum recovered from land comprised in the permit. The royalty is currently 10% however the amount is not payable for any petroleum recovered that, subject to the WA Minister's approval, is used for the purpose of petroleum exploration operations or operations for the recovery of petroleum.

(b) **Retention Lease (RL)**

- (i) RLs are holding titles over areas of land within EPs. RLs do not authorize the holder to recover petroleum for production and these recovery rights can only be obtained under a PL. RLs are granted over blocks within an EP where there has been a discovery of petroleum. An EP holder usually has a right to obtain an RL within the EP area however there are some restrictions and the WA Minister needs to be satisfied that recovery of petroleum from the area:

(A) is not, at the time of the application, commercially viable; and

(B) is likely to become commercially viable within the period of 15 years after that time.

Accordingly, RLs are granted in relation to discoveries that are not presently economic but through further exploration and development can become commercially feasible.

- (ii) The holder of an RL is required to re-evaluate the commercial viability of petroleum production located in the lease area. Such re-evaluation studies may be requested by the WA Minister at any time (but not more than twice within a term of the lease), and must be completed within 3 months of the request. Additional time can be requested by the RL holder.
- (iii) If petroleum is discovered in an area covered by an RL, the WA Minister must immediately be notified of such discovery. Any oral notification must be followed in writing to the WA Minister within 3 days of the discovery. The WA Minister may then request additional details about the discovery including chemical composition, physical properties and the nature of the sub-soil.
- (iv) The holders of an RL must pay a royalty to the Crown on the value (at the well head) of petroleum recovered from land comprised in the lease. The royalty is currently 10%, however the amount is not payable for any petroleum recovered that, subject to the WA Minister's approval, is used for the purpose of petroleum exploration operations or operations for the recovery of petroleum.

(c) **Production Licence (PL)**

- (i) Upon a commercially viable discovery of petroleum, an application may be made to the WA Minister for the grant of a PL. A PL authorizes the holder to recover petroleum in the licence area (and any other area to which the PL provides lawful access) and to explore for petroleum in the area within the PL. All related works and operations may also be carried out in order to conduct the recovery and exploration activities.
- (ii) A PL is granted for an initial term of 21 years with such conditions as the WA Minister thinks fit, and the PL may be renewed for successive terms not exceeding 21 years each. The WA Minister may refuse any further renewals after the expiry of the first renewal period.

- (iii) The WA Minister is able to provide certain directions during the grant of the PL in relation to the recovery of petroleum. For example, the licence holder is not recovering petroleum from a well and the WA Minister may direct the licence holder to take all necessary and practicable steps to recover such petroleum. Similarly, if the licence holder is undertaking recovery operations, the WA Minister may direct that the rate of recovery be increased or reduced.
 - (iv) The holders of a PL must pay a royalty to the Crown on the value (at the well head) of petroleum recovered from the tenement area. For a primary PL (that is, the initial licence granted over the nominated site within the RL or EP), the royalty will be determined by the WA Minister and will be at least 5% but not more than 10%.
 - (v) The WA Minister may direct that more than one royalty rate is applicable to recovery of petroleum from the PL (and the period for which each rate is to apply). Royalty rates are set at 10% to 12.5% for subsequent (secondary) grants of PLs over the EP or RL areas, although the WA Minister may decide to maintain the royalty at the rate determined for the primary PL. All determinations of the WA Minister in relation to royalties are made in consultation with the applicant for the PL.
- (d) **Generally**
- (i) Where an EP, RL or PL requires certain works to be performed on the land subject to the tenement, such works must begin within 6 months after the tenement comes into force. The WA Minister can provide an exemption from complying with the 6 month requirement and may instead issue an alternative date within which operations are to be carried out (including a period of less than 6 months).
 - (ii) All petroleum exploration and recovery operations pursuant to an EP, RL or PL must be carried out in accordance with industrial and occupational health and safety laws. Generally, the work must be undertaken in a proper and workmanlike manner utilizing good oil-field practices. The holder of the tenement must secure the safety, health and welfare of works in or about the tenement area and should exercise all reasonable due diligence to comply with all conditions and requirements associated with the tenements.
 - (iii) The WA Minister must approve all works, operations and programmes and may issue all necessary directives in relation to operations carried out pursuant to EPs, RLs and PLs to ensure such operations are undertaken in accordance with the WA Petroleum Act.
 - (iv) A PL, RL or EP granted under the WA Petroleum Act may be cancelled where the holder fails to comply with the conditions of the tenement (including the provisions of the WA Petroleum Act) and any directions given by the WA Minister. Also, failure to satisfy payment obligations under the WA Petroleum Act can lead to cancellation of a tenement.

4.7 Dealings with petroleum tenements

- (a) The WA Minister is required to keep a register of all petroleum tenements granted under the WA Petroleum Act and the register must include annotation about any dealings that affect the tenements.
- (b) The WA Petroleum Act provides that dealings with petroleum tenements (current and future tenements), including transfers and assignments, will have no effect unless they are first approved and registered by the WA Minister. On approval, appropriate details of the dealing will be endorsed on the tenement and the public records relating to the tenement will be updated.
- (c) Emerald Gas will need to ensure that all of its agreements, and any other transactions relating to the Tenements that require consent (including its interest in a future grant of a PL), are submitted for approval by the WA Minister within the stipulated time frame required for the consents to be obtained. The WA Minister may request as much information about the proposed dealing in order to assess and if appropriate, provide consent.

5. Native Title

5.1 Background to native title and the Native Title Act 1993 (Cth)

As a result of the decision handed down in June 1992 by the High Court of Australia in *Mabo & Ors v The State of Queensland (No 2) (1992) 175 CLR 1 (Mabo)*, Australian common law recognises a form of communal native title rights to land and waters where:

- (a) Aboriginal claimants can prove a continuous and substantial connection with the land or waters in accordance with the Aboriginal group's traditional laws and customs; and
- (b) the native title rights have not been lawfully extinguished by inconsistent government legislation or executive action.

The content of the native title rights held by an Aboriginal group in relation to particular land or waters depends upon the traditional laws acknowledged by, and the traditional customs observed by, that group. Where native title rights exist in relation to particular land or waters, inconsistent rights and titles (including petroleum tenements) which have been granted to others in respect of the land or waters, may be invalid.

As a result of *Mabo* and the operation of the Racial Discrimination Act 1975 (Cth) (**RDA**), the validity of petroleum tenements granted after 31 October 1975 (the date of commencement of the RDA) was rendered uncertain.

In response to this uncertainty, the Federal, State and Territory Governments have enacted legislation which has validated titles (including petroleum tenements) granted prior to 1 January 1994, which would otherwise have been invalid because of the existence of native title. The Federal Government enacted the Native Title Act 1993 (**NTA**) and the Western Australian Government enacted the Titles (Validation) and Native Title (Effect of Past Acts) Act 1995 (**Validation Act**). Consequently, titles (including petroleum tenements) granted after 31 October 1975 but prior to 1 January 1994 over land or waters in Western Australia in which native title rights may exist have been validated to the extent that they affect existing native title rights. Depending on the type of title involved, validation may have extinguished any existing native title rights.

The validity of the NTA and the fact that it overrides the Land (Titles and Traditional Usage) Act 1993 (WA) (**Usage Act**) was determined by the High Court of Australia in March 1995. The determination that the Usage Act is invalid has caused considerable uncertainty as to the validity of titles issued in Western Australia pursuant to the Usage Act in the period 1 January 1994 to 16 March 1995.

The NTA was substantially amended by the Native Title Amendment Act 1998 (Cth) (**Amendment Act**) which generally came into effect on 30 September 1998. Both the Amendment Act and the Validation Act ensure the validity of certain "intermediate period" titles granted between 1 January 1994 and 23 December 1996 where native title may have existed.

The Amendment Act allows States and Territories to enact their own legislation for the performance of certain functions and the exercise of certain powers under the NTA by State and Territory bodies. The Western Australian government has so far failed in its attempts to pass such legislation in various forms.

5.2 In summary, the NTA:

- (1) provides for the recognition and protection of native title;
- (2) establishes mechanisms for determining claims for native title;
- (3) makes valid Commonwealth past acts, intermediate period acts and previous exclusive possession acts that might otherwise be invalid because of native title and enables States and Territories to validate these types of acts where they are attributable to a State or Territory;
- (4) establishes ways in which future acts may proceed by the provision of procedural rights to native title holders and claimants, including rights to compensation; and
- (5) establishes a right to negotiate procedure that provides negotiation and consultation rights for native title holders and claimants in relation to certain future acts such the grant of petroleum tenements.

The NTA is complicated and much native title law is still uncertain and subject to litigation in the Federal and High Courts.

The NTA only applies to land and waters in respect of which native title rights and interests have not been extinguished by previous extinguishing acts, for example, most grants of freehold title, lands that are appropriated or dedicated for public works, and lands and waters covered by any of the types of interests listed in Part 4 of Schedule 1 to the NTA.

5.3 "Future acts" and the "right to negotiate"

Under the NTA, the grant of a petroleum tenement on or after 1 January 1994 is a "future act" if native title rights exist in relation to the land and the grant of the tenement would affect the native title rights by extinguishing them, or by being wholly or partially inconsistent with their continued existence, exercise or enjoyment.

The grant or renewal of a tenement for petroleum purposes over land or waters within the limits of a State or Territory will be a "permissible future act" if it has undergone the "right to negotiate" ("RTN") procedures prescribed in the NTA.

These procedures involve negotiation in "good faith" by petroleum tenement applicants and the State with the registered native title claimants with a view to obtaining the claimants' consent to the grant of tenements. Any future act which fails to comply with the procedure will be invalid to the extent that it affects native title. It is possible to avoid some of the delay necessitated by the procedure if agreement can be reached with the relevant native title claimants for their consent to the grant of the tenements.

5.4 Registration Test

In order to access the procedural rights under the future act regime, native title claimants must endeavour to have their claim registered. The registration process requires claimant applications to pass the registration test which comprises certain procedural and substantial tests intended to establish a prima facie case for the existence of native title to particular land or waters.

If the registration test is satisfied the claimant application will be entered on the Register of Native Title Claims administered by the NNTT. The claimants will have the status of "registered native title claimants" and will obtain certain negotiation and procedural rights.

5.5 RTN Procedures

An outline of the procedure is as follows:

- The State must give written notice to the public and to the relevant native title parties of its intention to grant the petroleum tenement (**Section 29 Notice**). Any registered native title claimants in relation to the area covered by the proposed tenement must be notified.
- Parties affected by the proposed "future act" who have not already made a native title claim over the relevant area have up to 4 months in which to register a new claim in respect of the area and/or to object to the use of the expedited procedure. Any person who becomes a new registered native title claimant within the 4 month period will also be entitled to participate in the process.
- The State, the petroleum tenement applicant and the native title claimants must negotiate in "good faith" with a view to agreeing to the grant of the tenement and applicable terms and conditions of the grant. The parties may also request the National Native Title Tribunal (NNTT) to mediate.
- If the parties fail to reach agreement within 6 months, any party may apply to the NNTT to determine whether the grant should be made and if so, on what terms. The NNTT will have 6 months in which to make its decision. Those "terms" can include the payment of monies to native title groups.
- It is open to the Commonwealth Minister to overrule any determination which the NNTT may make if he or she considers it is in the interests of Australia or the relevant State to do so.
- As noted further below, the State may seek to invoke the expedited procedure provided by the NTA.

These procedures may include negotiations about the grant or renewal with native title claimants or holders in relation to the particular land or waters. It is possible that a grant or renewal may be denied if it is vigorously opposed in circumstances where the grant of the tenement would adversely affect native title. It is also possible that compensation may be payable by Emerald Gas to the native title holders or claimants (to be held on trust, pending a determination as to the actual existence of native title) as a precondition to the grant or renewal being accepted.

The NTA also provides a fast-tracking process known as the expedited procedure ("EP") for the grant of lower-impact future acts to which the RTN applies. The EP is activated at the discretion of the Government in relation to future acts that it considers are not likely to interfere with any native title claimants' or holders' community or social activities, or Aboriginal sites, or involve major disturbance to land or waters. If asserted by the Government, the EP operates during the beginning of the TRN process. To date, the Government has not sought to apply the EP in relation to the grant of any form of petroleum title and consequently, no low-impact grant regime is available for such applications. However, the EP has been successfully applied to exploration licences and prospecting licences.

5.6 West Australian Government Policy in relation to Prospecting and Exploration Licences, Aboriginal Heritage and Native Title

As discussed, under the NTA certain native title parties must be notified of the intended grant of exploration and prospecting licences. If the Government, as the grantor of the licences, states that the EP applies to the grants in order to try to expedite the grant process, native title parties can object to the application of the EP by lodging an objection with the NNTT.

On 30 October 2003, the Western Australian Government announced that Western Australia's petroleum industry, native title claimants and the Government have reached agreement in relation to an Aboriginal Heritage Protection template that will speed up land access for developers. A variation of these Heritage Protection templates are to be used all over the State.

The Government announced that the key elements of the agreement include:

- A commitment to co-operate to ensure the ongoing protection of Aboriginal heritage;
- An obligation to take into account activities that could significantly affect cultural heritage values. Parties must discuss proposed activities and conduct heritage surveys where appropriate. This joint decision must take into account whether there have been previous surveys or an area has been previously disturbed;
- Capped daily rates for survey costs, agreed by both parties. Rates are region specific and administration fees are capped;
- Certainty for exploration and prospecting companies and individuals in undertaking activities for the life of the tenement;
- Information to be entered by the Department of Indigenous Affairs ("DIA") into a heritage survey database to assist miners when seeking access to land; and
- Once-only execution of agreements for multiple exploration and prospecting licences within a claim area.

The new policy means that applicants for exploration and prospecting licences must sign a Heritage Protection Agreement (either the template prepared by the Government or an alternative agreement that satisfies the Government's requirements) before the Government will invoke the EP in relation to the tenement applications. If the prospector or developer will not enter into such an agreement, then the tenement application will have to be processed in accordance with the RTN procedure.

The practical effect of the negotiated Heritage Protection template is that if an explorer or prospector signs the template agreement (or a similar agreement) with the relevant native title parties, the Government will state that the EP should apply to that licence, and the native title parties for the area affected by the licence will agree not to make an objection, or to withdraw any objection they have lodged, against the licence. This in turn facilitates the rapid grant of the licence.

The incentive for the native title parties to agree the Heritage Protection Agreement template is that the indigenous heritage issues which concern them and that can arise as a result of the potential impact of the licences on land and waters can be negotiated and resolved up front. The benefit for prospectors and explorers is the certainty that those heritage issues have been dealt with, that there will be no objections to the grant, and that they will obtain their licences rapidly without getting bogged down in technical issues.

5.7 Validity

Where the RTN applies, the applicant of the relevant future act and the State must fully comply with the NTA procedural requirements, in order to ensure that the grant of the future act is valid with respect to native title.

5.8 Compensation

Where a future act has occurred and the NTA, if relevant, has been complied with, a right of compensation may exist for the impact of the future act upon native title.

Under section 125 of the *Petroleum Act 1978 (WA)* the applicant for a petroleum tenement or the holder of a petroleum tenement is liable to pay compensation to any native title holders for or in respect of the grant of the tenement and its impairment or extinguishment of native title rights and interests. If at the time the compensation payment is to be made the tenement has expired, been forfeited or surrendered, the holder of the petroleum tenement immediately before its surrender, forfeiture or expiry is liable to pay compensation to pay native title holders. Under section 8 of the *Petroleum Act 1978(WA)* the term petroleum tenement is defined to mean a prospecting licence, an exploration licence, a retention licence, a petroleum lease, a general purpose lease or a miscellaneous licence granted or acquired under that Act, or by virtue of the *Petroleum Act 1904 (WA)*.

It is not currently possible to assess the likelihood or quantum of a determination that compensation is payable to native title holders in relation to the Tenements.

5.9 Native Title Claims

Native title claims may be initiated in the Supreme Courts of the States and Territories, and in the Federal and High Courts, or may be made to the NNTT.

We have reviewed information obtained from the Department regarding native title claims which affect the Tenements, and details of those claims are set out below.

The following qualifications apply to our review of native title claims affecting the Tenements:

- (a) the records held at the Department and available to be searched are not necessarily complete or up to date; and
- (b) it is always possible that further claims for native title rights may be made in the future in respect of the area covered by the Tenements. We have not undertaken the legal, historical, anthropological and ethnographic research that would be necessary to form an opinion as to whether or not such claims, if made, would succeed and, if they did succeed, what the implications would be for Emerald Gas and the Company.

In respect of those Tenements which are or could be the subject of native title applications, it is impossible at this stage to state what, if any, effect a finding of native title could have on the Emerald Gas's interests since this would depend, amongst other things, on the nature of the rights exercisable by the native title holders over the area the subject of the relevant tenements.

As a result of recent amendments to the *Petroleum Act 1978 (WA)* (**WA Act**), the holder of a petroleum tenement is liable to compensate any native title claimants who are subsequently determined to be holders of native title, for impairment to their native title rights and interests as a result of the grant of a petroleum tenement (s.125A WA Act). The obligation to pay compensation will arise if and when native title over the area of the tenement(s) is determined to exist.

If native title is found to exist over the Tenements and compensation is payable in respect of the grant of the Tenements, Emerald Gas will be liable to pay compensation to any native title holders but the extent of that compensation is difficult to assess at this stage. There have been no determinations of compensation payable to holders of native title over the Tenements to date.

5.10 Validity of Tenements and Future Renewals or Extensions

As set out in Schedule "A" EP104 was granted before 1 January 1994 and the file has therefore been validated to the extent that the grant of EP 104 is inconsistent with native title.

For the purpose of validation, grants of petroleum tenements before 1 January 1994 are included as "Category C past acts" pursuant to the NTA (broadly defined by the NTA to include grants of rights to explore for or extract petroleum or gas). These acts are not able to extinguish native title. If any inconsistencies exist between the petroleum tenement and native title, the rights of the petroleum tenement will prevail. Unless tenements in this category of past acts expire, the native title rights may again have full effect over the land the subject of the tenement (subject to any renewal rights of each tenement).

As set out in Schedule "A" RL R1 was granted after 1 January 1994 and L1/98-9 (if it is granted) will be granted after 1 January 1994. Each of these grants are "future acts" under the NTA and their validity is subject to the future act provision of the NTA including the compensation of the right to negotiate process outlined above in Section 5.3.

As the grant of RL R1 was required to follow the future act procedures in the NTA we are of the opinion that its grant was a valid future act.

Before the grant of L1/98-9, the right to negotiate process will be undertaken and if L1/98-9 is granted to the applicants, we are of the opinion that the grant of L1/98-9 will be a valid future act.

Section 26D(1) of the NTA allows the doing of an act consisting of the creation of a right to mine (which includes exploration) where the area to which the earlier right relates is not extended, the term of the right is not longer than the term of the earlier right, and no rights are created in connection with that right that were not created in connection with the earlier right.

6. The Tenements and Native Title

The NNTT has informed us that there are no native title determination applications or native title determinations overlapping the Tenements.

The consequences of this are dealt with in Section 5 above. We have not been instructed to undertake the considerable legal, historical, anthropological and ethnographic investigations which would be necessary to form an opinion as to the merits or otherwise of any existing or future claim for native title in respect of the land the subject of the Tenements or the implications for Emerald Gas's interests and operations in the event of a determination of native title in any of the area covered by the Tenements. It is possible that additional native title claims may be made in the future over areas where native title has yet to be determined, or that an application to vary or revoke a native title determination may be made to the Federal Court in respect of areas where a determination has been made.

7. Heritage & Other Legislation

7.1 Aboriginal Heritage Act 1974 (WA)

Significant Aboriginal sites and objects are protected by the provisions of the Western Australian Aboriginal Heritage Act 1972 (AHA).

The AHA protects sites and areas of significance to Aboriginal persons. Where any use of the land is likely to result in damage to or destruction of an Aboriginal site or any objects on or under that site, or any person assuming the possession, custody or control of such object, the consent of the relevant Minister is required.

The AHA allows the Governor in Council to declare an Aboriginal site to be a protected area and make regulations prohibiting or imposing conditions on activities within the area or on people entering the area.

A Register of Aboriginal Sites is maintained by the Department of Indigenous Affairs. A search of the register with respect to each of the Tenements was conducted on 22 January 2006. Those searches indicated that there are registered Aboriginal Sites on the Tenements. The details of the sites are:

TENEMENT	SITE ID	STATUS	ACCESS	RESTRICTION	SITE NAME	SILY TYPE	CO-ORDINATES
RL R1	17097	Interim Register	Open	No Restriction	Tea 01	Midden/Scatter	573801mE 8105218mN Zone 51 (Reliable)
RL R1	17095	Interim Register	Open	No Restriction	T1 02	Midden/Scatter	571806mE 8099792mN Zone 51 (reliable)
RL R1	17096	Interim Register	Open	No Restriction	Tea 03	Midden/Scatter	571329mE 8100473mN Zone 51 (reliable)
RL R1	17099	Interim Register	Open	No Restriction	Tea 04	-	569506mE 8103466mN Zone 51 (reliable)
L1/98-9	13240	Permanent Register	Open	No Restriction	Derby Leprosarium	Ceremonial, Mythological, Skeletal material/Burial	579637mE 8090661mN Zone 51 (unreliable)
L1/98-9	17443	Permanent Register	Open	No Restriction	Meda Dune	Artefacts/Scatter =, grinding patches/grooves	588637mE 8093761mN Zone 51 (unreliable)

The Department of Indigenous Affairs search results warn that:

"Aboriginal sites exist that are not recorded on the Register of Aboriginal Sites and some registered sites may no longer exist. Consultation with Aboriginal communities is on-going to identify additional sites. The Aboriginal Heritage Act 1972 protects all Aboriginal sites in Western Australia whether or not they are registered."

DOIR advises all tenement holders that it expects them to abide by the provisions of AHA. This approach complements the Government's new policy with respect to mandatory usage of Aboriginal Heritage Protection Agreements if explorers and prospectors wish to use the expedited procedure to have their licences granted quickly.

It should be noted that the AHA applies to all Aboriginal sites and objects whether or not they are registered under the Act.

It should also be noted that Aboriginal sites can be found anywhere and are protected on both freehold and Crown lands and waters.

7.2 Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)

The Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth) (HPA) establishes the Commonwealth's Aboriginal heritage regime. It allows declarations to be made which protect or preserve objects or areas which are of significance to Aboriginals, whether situated on private or Crown land.

Two types of declarations may be made in relation to significant Aboriginal objects or Aboriginal areas (being objects or areas of significance to Aboriginals in accordance with Aboriginal tradition) under the HPA:

- (i) emergency declarations of preservation (which remain in force for a maximum of 60 days); and
- (ii) declarations of preservation (which remain in force for the terms specified in the declarations).

Before making a permanent declaration in relation to an area, the Minister for Aboriginal Affairs must commission a report on the area which addresses specific matters such as the significance of the area, the extent of the area to be protected and the effects of the declaration on any non-Aboriginal interests in the land. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the HPA.

No information has been received by us to indicate whether or not any part of the areas of the Tenements is the subject of any such declarations and we have not conducted any searches in this regard.

7.3 Scope of investigation

For the purposes of this Report, our enquiries have been limited to searching the Aboriginal Sites Register maintained by the Western Australian Department of Indigenous Affairs.

8. Environment & Rehabilitation of Land

- 8.1 Statutory requirements in WA require petroleum tenement lands to be protected and rehabilitated ensuring that environmental damage is avoided or minimal (where authorised). Environmental risks associated with undertaking petroleum operations are an inherent part of the industry and the Company will have to ensure that they are vigilant in relation to all operations conducted on the tenement lands.
- 8.2 Generally, State and Territory legislation and associated regulations make general provision for the regulation of activities on petroleum tenement lands. These provisions may require approvals and consents to be obtained before certain lands may be accessed and explored. Government ministers responsible for the Tenements may direct the tenement holders to take specified action to prevent or minimise environmental damage, and direct the licensee or former licensee to rehabilitate the land.
- 8.3 In addition, each State and Territory Government may impose a wide range of obligations on tenement holders and operators of petroleum operations generally to ensure compliance with various environmental standards and requirements.

9. Scope of Opinion

This Report:

- (a) relates only to the laws of the State of Western Australia and the federal laws of the Commonwealth of Australia in force at the date of this Report; and
- (b) is strictly limited to the matters it deals with and does not extend, by implication or otherwise, to any other matter.

10. Assumptions

For the purpose of giving this Report, we have assumed:

- (a) that the information provided to us by the Department is correct and up to date as at 20 January 2006;
- (b) that the information provided to us by the Western Australian Department of Indigenous Affairs is correct and up to date as at 22 January 2006;
- (c) that all of the Tenements have been validly granted and (where applicable) renewed by the relevant Minister. The good standing of the Tenements and the holders' interests in the Tenements are both subject to the holders continuing to comply with the terms and conditions of the Tenements under the provisions of the Petroleum Act 1978 (Western Australia) (**WA Act**) and any regulations made pursuant to the WA Act;
- (d) that the relevant Ministers responsible for administering the WA Act (**Ministers**) and each of the Ministers' delegates have been validly appointed and have acted within the scope of their respective powers, authorities and discretions in granting the Tenements that have already been granted and in registering, authorising, approving or granting any permission or consent in relation to any dealing or proposed dealing affecting the Tenements;
- (e) the accuracy and completeness of any instructions and information we have received from Emerald Gas and any of its directors, officers, employees, agents or representatives; and
- (f) that Emerald Gas has complied fully with all applicable provisions of the WA Act and any regulations made pursuant to the WA Act, and all other relevant legislation, regulations and guidelines relating to the Tenements.

The making of the above assumptions indicates that we have assumed that each matter the subject of those assumptions is true, correct and complete in every particular. That we have made an assumption in this Report does not imply that we have made any enquiry to verify that assumption or that we are not aware of any circumstances which might affect the correctness of the assumption. No assumption specified is limited by reference to any other assumption.

11. Qualifications

This Report is subject to the following qualifications:

- (a) we have only made the enquiries described in Section 7 above;
- (b) Tenements which are currently at the application stage will not be capable of being granted until the provisions of the NTA have been complied with;

- (c) in respect of granted Tenements, we have not made any enquiries as to whether the relevant Minister has complied with the notice and other procedures under the NTA before granting the relevant Tenements;
- (d) the nature and enforcement of obligations under the contracts referred to in this Report may be affected by the discretion of courts to grant or withhold relief by way of injunction, specific performance or other equitable remedy, by statute of limitation, by estoppel and similar principles, by laws concerning insolvency, bankruptcy, liquidation, receivership, administration or reorganisation, and by other laws affecting creditors' rights generally;
- (e) we have relied on the accuracy and completeness of the Department searches and on the assumption that they remain current. We note that the records disclosed by those searches may not be up to date and, in particular, documents affecting the Tenements may not have been filed with the Department immediately or, even if filed, may not have been available for immediate inspection at the time the searches were conducted;
- (f) to the extent that any opinion or conclusion is based on the searches referred to in (e) above, that opinion or conclusion is given as at the date of the relevant search. The searches were conducted on 20 January and 22 January 2006;
- (g) there may be equitable or other interests in existence affecting the Tenements which for various reasons are not discoverable by search or enquiry but which may be enforceable against a holder of any interest in the Tenements;
- (h) we do not express any opinion as to, and have made no investigation of, the laws of any jurisdiction other than Western Australia and the Commonwealth of Australia; and
- (i) the WA Act stipulates that further Ministerial or other approvals are required before activities can be carried out in relation to a petroleum tenement on certain types of land. We express no opinion as to whether Emerald Gas's activities are likely to require such approvals or, if they do, whether the approvals will be forthcoming.

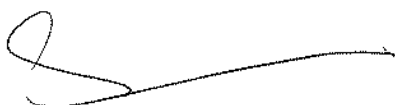
12. Disclosure of Interest

- 12.1 Jeremy Shervington has also provided and continues to provide legal advice to the Company.
- 12.2 Jeremy Shervington has advised the Company concerning this Prospectus, and will be paid usual professional fees for that work.
- 12.3 Jeremy Shervington has been instructed by the Company to prepare this Report, and will be paid \$7,500 for work performed in relation to this Report.
- 12.4 Jeremy Shervington is a Director and Chairman of the Company and as disclosed elsewhere in the Prospectus, holds Shares and Options in the Company, (see Section 15.12).

13. Responsibility Statement and Consent

In accordance with section 716 of the Corporations Act, Jeremy Shervington has given and has not, before the lodgement of the Prospectus with the Australian Securities and Investments Commission, withdrawn his consent to the issue of the Prospectus with this Report included in the form and context in which it is included.

Yours faithfully



Jeremy Shervington

Schedule "A"

AUTHORITY	DATE GRANTED	STATUS & EXPIRY	HOLDERS OF INTERESTS	ROYALTY INTERESTS (other than statutory royalties and native title royalties)	REGISTERED NATIVE TITLE CLAIMS & INTERESTS
EP 104	1 September 1977	Active. Expires on 3 April 2010	Current registered holders: <ul style="list-style-type: none"> ▪ Gulliver Productions Pty Ltd - 54% ▪ Indigo Oil Pty Ltd – 17.4% ▪ First Australian Resources Limited – 8% ▪ Kimberley Oil NL– 8% ▪ Pancontinental Oil & Gas NL– 8% ▪ Pelsoil Limited – 4.6% By a farmin agreement dated 20 December 2005 Emerald Gas has the right to earn an 18.75% interest in the	tenement At the date of this Report, no such royalty interests have been approved and registered against this tenement by the WA Minister.	No registered native title claims.
RL R1	29 August 2003	Active. Expires on 28 August 2008.	Current registered holders: <ul style="list-style-type: none"> ▪ Gulliver Productions Pty Ltd - 54% ▪ Indigo Oil Pty Ltd – 17.4% ▪ First Australian Resources Limited – 8% ▪ Kimberley Oil NL – 8% ▪ Pancontinental Oil & Gas NL – 8% ▪ Pelsoil Limited – 4.6% By a farmin agreement dated 20 December 2005 Emerald Gas has the right to earn an 18.75% interest in the tenement.	At the date of this Report, no such royalty interests have been approved and registered against this tenement by the WA Minister.	No registered native title claims.
Application Number L1/98-9	Not yet granted.	Application pending.	Applicants: <ul style="list-style-type: none"> ▪ Gulliver Productions Pty Ltd – 49% ▪ Indigo Oil Pty Ltd – 8% ▪ First Australian Resources Limited – 12% ▪ Kimberley Oil NL – 12% ▪ Pancontinental Oil & Gas NL – 12% ▪ Pelsoil Limited – 7% By a farmin agreement dated 20 December 2005 Emerald Gas has the right to earn an 18.75% interest in the tenement.	Not applicable.	No registered native title claims.

Schedule "B"

Summary of Material Contracts Affecting Tenements

Set out below is a summary of contracts which have been entered into by Emerald Gas which may be material and relevant to the Tenements. To fully understand all rights and obligations of a material contract it would be necessary to review it in full and the following summarise should be read in that light.

Farm-in Agreement EP 104 and RL R1 dated 20 December 2005 between Gulliver Productions Pty Ltd, Indigo Oil Pty Ltd, First Australian Resources Limited, Kimberley Oil NL, Pancontinental Oil & gas NL, Pelsoil Limited ("EP-104 Farmors") and Emerald Gas. Under a Joint Operating Agreement dated 14 January 1999 made between the EP 104 Farmors or their predecessors in title (which agreement was approved and registered pursuant to the terms of the Petroleum Act on 18 March 1999), the EP 104 Farmors recorded their agreement for the joint exploration and, if warranted, exploitation of EP 104 and RL R1. Under the Farm-in Agreement, Emerald Gas has the right to earn an 18.75% interest in EP 104 and RL R1. In order to earn its interest, Emerald Gas must contribute 25% to the cost of drilling and completing or plugging and abandoning an exploration well up to a specified limit, and thereafter, by contributing in accordance with the proportion of its interest in EP 104 and RL R1. Emerald Gas's 18.75% interest in EP 104 and RL R1 will not be transferred until the interest has been earned. The Farm-in Agreement is conditional on the consent of the Minister to the Farm-in Agreement and on Emerald Gas listing on ASX or merging with a listed entity by 31 March 2006 or such other date as is agreed. Emerald Gas and the EP 104 Farmors agree that from the date Emerald Gas earns its interest, Emerald Gas shall become a participant under the Joint Operating Agreement, and they agree to be bound by the terms and conditions of the Joint Operating Agreement.

Farm-in Agreement Application L1/98-9 dated 20 December 2005 between each of the EP 104 Farmors and Emerald Gas. The EP 104 Farmors are the applicants for a production licence under the Petroleum Act (WA) in respect of graticular blocks 6054 and 6126. Under the Farm-in Agreement, Emerald Gas has the right to earn an 18.75% interest in L1/98-9 by making the contribution required under the Farm-in Agreement EP 104 and RL R1, and thereafter, by contributing in accordance with the proportion of its interest in L1/98-9. Emerald Gas's 18.75% interest in L1/98-9 will not be transferred until the interest has been earned. The Farm-in Agreement is conditional on the consent of the Minister to the Farm-in Agreement.

Joint Operating Agreement dated 14 January 1999 between the EP 104 Farmors or their predecessors in title. Provides the terms and conditions to govern the exploration and development of EP 104 and all permits, licences or other instruments that may be granted directly or indirectly out of or in relation to EP 104. The Joint Operating Agreement provides for the appointment of operator who will conduct all joint operations, including maintaining the permits in good standing. Currently, the operator is Gulliver Productions Pty Ltd. The Joint Operating Agreement contains provisions usual for an agreement of this nature including provisions for the creation of an operating committee, the creation and approval of a programme and budget, the creation of a joint account, the development to production of a discovery, the operation of sole risk projects, the dilution and or assignment of the interest of a defaulting party to the non-defaulting party in the event of a default and rights of first refusal in relation to the transfer of a party's percentage interest.

Risk Factors

Investment in Shares and Options pursuant to the Offers must be regarded as speculative and prospective investors and Eligible Shareholders should consider the risk factors described in this Section, together with the information contained elsewhere in this document before considering an investment. The Company will, subject to Completion, operate in the hydrocarbon exploration and development industry and accordingly is subject to the risks inherent to that industry.

The price of the Company's Shares will be subject to varied and unpredictable influences on the markets for equities generally and the Company's stocks in particular.

The Directors strongly recommend that potential investors examine the contents of this Prospectus in its entirety and consult licensed professional advisers before making an investment decision.

The following is not intended to be an exhaustive list of the risks to which the Company is exposed.

13.1 General investment risk factors

Factors such as inflation, currency fluctuation, interest rates, market sentiment and commodity prices may have a significant impact on the Company's future revenues. The impact of those factors on the Company's future profitability is to a large extent beyond the control of the Company.

13.2 General economic risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors which contribute to that general economic climate include:

- (a) contractions in the world economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- (b) the level of direct or indirect competition against the Company;
- (c) international currency fluctuations;
- (d) new or increased government taxes or duties or changes in taxation law; and
- (e) changes in government regulatory policy affecting the industry in which the Company operates and further regulation of the industry generally.

13.3 Share market conditions

The price of the Company's Shares, when quoted on ASX, will be influenced by international and domestic factors. Should these produce a negative effect on the share price, this may also affect the Company's ability to raise development capital.

In addition, there is no guarantee that ASX will exercise its discretion to lift the suspension of the Company's Existing Shares and admit to quotation the Shares offered under this Prospectus.

13.4 Exploration and Development Risks

Potential investors should understand that hydrocarbon exploration and development is a high-risk undertaking. There can be no assurance that the Company's exploration and development activities will result in the discovery of an economic hydrocarbon resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

13.5 Commercialisation

Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return.

13.6 Reserve Estimates

Reserve estimates are expressions of judgement based on knowledge, experience and industry practice and the reserves classifications are related to the inherent risks in producing recoverable oil. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely affect the Company's operations.

13.7 Environmental Risks

The operations and proposed activities of the Company will be subject to USA and Australian laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

13.8 Regulatory Approvals

The Company will require government regulatory approvals for its operations and facilities installations. This may from time to time affect timing and scope of work to be undertaken.

13.9 Access

The Company, in order to conduct its exploration and development programs, may require approval from government and non-government bodies to facilitate access to blocks and leases in which it has an interest.

13.10 Taxation

Profits arising from the discovery and commercialisation of oil and gas fields located in the USA will be subject to USA taxation. The tax treatment could vary significantly from that applied in Australia.

13.11 Title Risks

The process of confirming legal title to a prospect is an ongoing task. The Directors of the Company will ensure that titles are confirmed immediately prior to the commencement of drilling a well. In the event that, at that time, clear title cannot be determined then drilling on a prospect could be delayed or halted indefinitely.

In relation to the Company's interests in the Australian Prospects, under the relevant petroleum legislation no rights or interests exist until registration of the relevant dealing occurs which in turn is dependent on approval by the relevant Minister.

13.12 Competition

The Company will be competing with other companies in its exploration and development activities, many of which will have access to greater resources than the Company and may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

13.13 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to hydrocarbon production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, the quality of the oil, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, prices of commodities in the USA are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken to account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

13.14 Legal Risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its securities.

13.15 Acts of terrorism and outbreak of international hostilities

Acts of terrorism or an outbreak of international hostilities may adversely affect the operations of the Company or more generally the operation of global markets, including the stock market.

13.16 Uncertainties of nature

The Company's activities are subject to uncertainties of nature including natural disasters and extreme weather conditions.

13.17 Specific Risks Associated with the Company and the Offers

Terms of Option and Participation Agreements, Memoranda of Understanding and Farm-in Agreements

The Option and Participation Agreements, Memoranda of Understanding and Farm-in Agreements contain conditions that must be satisfied prior to the Company acquiring and earning its interest in the Prospects. Some of the conditions are within the control of the Company and others are outside the control of the Company. The conditions are set out in detail in the Summary of Material Contacts in Section 15.4 of this Prospectus.

Joint Venture/Operating Agreements

The Company will become a party to joint venture operating agreements for the Prospects in which it will earn minority interests. Under these agreements, the Company may be required to commit to programmes and budgets which it does not necessarily agree with or have the cash resources to fund. It may also be required to contribute to any increases in capital expenditure requirements and/or operating costs. Furthermore, the situation could arise where any or all of the other joint venture parties are unable to fund their pro rata contributions to expenditure, in which case the Company may have to make increased contributions to ensure that the programme succeeds.

Other companies may be operators under joint venture operating agreements and, as a minority joint venture partner, the Company will be dependent to a degree on the efficient and effective management of these companies as operators. The objectives and strategy of these operating companies may not always be consistent with the objectives and strategy of the Company, however, the operators must act in accordance with the directions of the joint venture parties.

The Company will be required under joint operating agreements to pay its percentage interest share of all costs and liabilities incurred by the joint venture in connection with joint venture activities. In common with other joint venture parties, if the Company fails to pay its share of any costs and liabilities it may be deemed to have withdrawn from the joint venture and may have to transfer its interest in the exploration permits and the joint operating agreements to the other joint venture participants.

Development Risk

The development costs described in this document are based on assumptions with respect to the method and timing of development. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Insurance

Insurance against all risks associated with petroleum exploration and production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Reliance on Key Personnel

The Company's success will depend in part on the continued services of its Directors, key employees and contractors. The loss of services of one or more of the Company's key employees or contractors could have a material adverse effect on the Company's business, operating results and financial condition. This risk is addressed in part by the existence of formal service contracts Emerald Gas has in place to retain the services of Mr Cooper, Mr Berven and Mr Hannaford.

Financial risks

The Company has limited financial resources. Further development of one or more of the Company's prospects (beyond that described in Section 5) will be dependent upon the Company's ability to obtain future funding. There can be no assurance that such funding required by the Company will be made available to it and, if such funding is available, that it will be offered on reasonable terms.

Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies and assets. Any such future transactions would be accompanied by the risks inherent in making acquisitions of companies and assets.

Native Title

There can be no guarantee that none of the Company's Australian prospects referred to in Section 5 will be challenged or impaired or that claims for compensation will not be made under the *Native Title Act 1993* (Cth). While none of the tenements the subject of the Company's Australian Prospects relate to land which is currently the subject of native title claims, the Board notes the Company may be required to obtain clearances, consents and approvals in relation to native title, heritage, environmental and related matters and the Board considers these clearances, consents and approvals to be not materially different to those confronting any entity conducting exploration in similar parts of Western Australia.

Drilling

The attention of investors is drawn to the risks attaching to the drilling of the Hamlet prospect during the period prior to the closure of this Prospectus as outlined in Section 5.2.

Other risks

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- (a) financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become a party;
- (b) insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- (c) industrial disputation in Australia and overseas.

Shareholder Offer

Eligible Shareholders should note that, subject to the conditions in Section 4.11, Shares will be issued to Applicants under the Shareholder Offer even if Completion does not occur.

In that event:

- (a) the capital structure of the Company will comprise:
 - The 910 million Existing Shares;
 - The Existing Partly Paid Shares;
 - The Existing Options; and
 - The Shares issued to Accepting Shareholders – up to a total of 416,666,667;
- (b) The net assets of the Company will comprise:
 - the Company's existing cash of approximately \$300,000 less those of the costs of the Issue that will be payable (estimated at \$169,010); and
 - such cash as may be subscribed pursuant to the Shareholder Offers – up to a maximum of \$500,000;
- (c) the Company's Shares will not be able to be traded until such time as the Company has met the ASX requirements to entitle it to apply for the reinstatement of its Shares to quotation;
- (d) the Existing Directors will remain as the Directors of the Company and it will be their task to find an appropriate investment for the Company with a view to the Company meeting the necessary ASX and other requirements to enable it to apply for its Shares to be reinstated to quotation; and
- (e) the following information is considered relevant for Eligible Shareholders to consider in relation to the possibility that the Shareholders Offer will proceed and that Completion does not occur.

The Existing Directors have had experience in evaluating investment projects for companies. Their objective would be to ensure that any asset or project selected will provide significant enhancement in the value of Shares subscribed for in this Issue. Investors should be aware that apart from Emerald Gas no suitable investment has been identified at this time. The process of identifying a suitable one may take an uncertain length of time.

The Directors would intend to investigate and select potential assets or projects based upon one or a combination of the following criteria:

1. The project or asset should be in an industry group capable of generating support in the market place to raise further funds;
2. The project should have the capacity to add significant value to the Company within the medium term;
3. The project or asset should have quality key management in place or have the ability to attract such people;
4. The project or asset should have resilience to dependence upon the domestic economy.
5. The project or asset should be such that it will suit an application to ASX for the reinstatement of quotation of the Company's Shares.

There is no predetermined financial criteria which would be used by the Board in assessing potential business opportunities other than that the Board would require that following any acquisition the Company would have net tangible assets of at least \$2 million and have available to it sufficient working capital through a combination of available cash and cash that is forecast to be generated from the acquisition (if any) to enable the Company to properly exploit the relevant business opportunity that is acquired.

These criteria will be assessed against the background of the Company's available cash at the time any such acquisition is made.

Part of the funds raised by the Shareholder Offer may be expended in connection with any relevant transaction that the Company may enter into.

As an hypothetical example, in light of the preferred outcome outlined above, for the Company to attain a position where its net tangible assets were at least \$2 million following an acquisition of a business for \$2 million, assuming \$500,000 from existing cash together with the proceeds of the Shareholder Offer remained available at the time of such an acquisition, and assuming that the Company was to issue Shares at 20 cents, and assuming the acquisition was 100% equity funded the Company would be required to issue at least 7,500,000 Shares either to the vendor of the relevant assets or to raise cash through equity to pay to the vendor of the relevant assets. In addition the Company would require further cash to fund the costs of any such acquisition and, depending on the assets, would probably need working capital. For example if \$500,000 was required for costs and extra working capital a further 2,500,000 Shares would be required to be issued at 20 cents. If the assets being acquired include an intangible component then obviously the funding requirements for any such transaction and the equity required to be issued would increase commensurately.

The issue of Shares at 20 cents would necessitate a consolidation of the Company's existing capital at that time.

The Company does not intend to borrow money in connection with any acquisition unless the acquisition is of a business that will generate immediate returns sufficient to enable the Company to obtain and sustain the relevant level of borrowing which in any event would not be expected to exceed prudential debt to equity ratios.

No such transaction will be entered into unless approved of by Shareholders at a Shareholders' meeting.

In addition to or as an alternative to raising debt the Company may, as noted, fund any acquisition through raising fresh equity. The pricing of any future equity issue will be determined by the Board at the relevant time.

Any fund raising through equity for the acquisition of any new business will not necessarily involve Shareholders being given the opportunity to participate. Any decision in that regard will be made by the Directors depending upon the time constraints that may exist in connection with any such acquisition.

The financial data which will be taken into account in assessing potential businesses will include but not be limited to an assessment of the past and projected earnings and profits of any business, the nature of the assets of the business, their relative prospectivity (in the case of exploration-type assets), their division between tangible and intangible, the cash flow attributes, the projected rate of return on equity employed, the projected earnings per share, the price earnings ratio underlying any proposed acquisition price, the capacity of any potential business to support the raising of necessary funds to fund both the acquisition and the attendant working capital requirements of the business to be acquired, the potential internal rate of return that will be earned from the investment in the short, medium and long term, the amount of capital expenditure required, and the amount of any other form of expenditure such as exploration expenditure that may be required.

Messrs Shervington and Rankine-Wilson through their range of connections in the West Australian and Australian stockbroking and business communities are from time to time apprised of and have referred to them potential business opportunities. It is proposed that if any of the directors is presented with any such potential opportunity which he considers may be suitable for the Company he will refer that to Messrs Shervington and Rankine-Wilson and between them they will make an initial investigation of whether the opportunity adequately meets the criteria outlined above and if so they will obtain relevant data (including some or all of that financial data referred to above) in connection with the proposed investment and then prepare the appropriate investment papers for consideration by the Board. As noted elsewhere in this Prospectus the Board will, when it considers any investment proposals, determine whether and from whom to obtain additional outside professional assistance in further assessing any business opportunity and, in particular, in referring any proposed investment to Shareholders for their consideration.

The type of industry group that might be investigated by the Company is not limited. It is likely, however, that the location of any investment would be within Australia.

Directors

J D Shervington B.Juris, LLB.

During his time as a lawyer Mr Shervington has advised many times on the legal aspects of and preferred methods of structuring of acquisitions of shares and assets and the consummation of business opportunities. He has been an adviser to many enterprises in connection with their gaining admission to the official list of ASX. He has advised on and been involved in the conduct of numerous "due diligence" processes during which he has observed the financial and commercial criteria and methodology used and the analysis and assessment pursuant to which decisions are arrived at in connection with corporate acquisitions and the pursuit and consummation of business opportunities.

Mr Shervington has since 1985 also served as a director of various ASX listed companies as well as a number of unlisted public and private companies. In that capacity he has participated numerous times in the process by which boards have assessed the acquisition and financing of a diverse range of assets and has participated in and become familiar with the range of evaluation criteria used and the due diligence processes commonly adopted in the commercial assessment of corporate opportunities.

A Rankine-Wilson

Previous directorships of publicly listed companies have included Musgrave Block Holdings Limited (since renamed Unitract Limited), ECAT Development Capital Limited (since renamed Clinical Cell Culture Limited), Australian Silicon Limited (since renamed BMA Gold Limited), Carbine Corporation Limited (since renamed Rockeby biomed Limited) and Transact Limited (since renamed Financial Resources Limited).

Over the past 15 years, Mr Rankine-Wilson has also been a director of numerous other private and public companies. He has extensive experience in the mining and investment industries, particularly in Western Australia. He has a significant knowledge and understanding of the financial criteria and methodology used in assessing investment proposals. He has participated as a director in the negotiation and consummation of numerous and significant business acquisitions and the attendant finance raising and due diligence enquiries and processes.

He has significant experience in the finance and investment industries, including four years with the investment department of AMP Society where his roles and responsibilities were controller of an approved deposit fund (superannuation products) and controller of a benefit management plan (cash management fund) and three years with stockbroking firm A.C. Goode and Co. Limited where he was a senior client adviser.

A G Coulthard

Mr Coulthard is an accountant currently residing in the United Kingdom.

Since 1968 Mr Coulthard has held various career positions both in Australia, the United Kingdom and America involving roles as accountant, group financial controller, company secretary and general manager for a number of public (listed and unlisted) and private companies and organisations.

His experience has included the preparation, implementation and co-ordination of business plans and forecasts, the establishment of accounting systems, the establishment of offshore subsidiaries, contract negotiation, preparation of group statutory accounts and group financial and statutory requirements, preparation of budgets and the monitoring of cash flows and expenditures.

Mr Coulthard is currently employed as a Senior Team Leader with American Express International in the United Kingdom where his role involves the preparation and management of the financial planning (budgets and forecasts) and reporting for the Financial Centres to which he reports. These responsibilities include the preparation of the business plans of the financial support centres of the European, Middle East and African markets.

The diverse skills of the Directors which include stock broking, accounting and legal expertise will enable the Directors to critically analyse investment proposals for the Company.

Messrs Shervington or Rankine-Wilson will initially review, and if considered appropriate, prepare the necessary background information material, forecasts and assessment of projects for the Board to consider.

The Board may elect to seek independent professional advice on any proposed investment before deciding whether or not to refer it to Shareholders.

Each of the Directors have undertaken to make themselves available at short notice to fully assess the selected opportunities as they become available.

Risk Factors

The costs of maintaining the Company (auditors costs and other statutory and compliance costs) until the Directors have had adequate opportunity to fulfil their stated objectives may erode the Company's working capital base.

There is no guarantee or assurance given by the Directors and none can be given that they will be able to achieve the objective of procuring the investment objectives of the Company.

No liquid market to sell Shares and Options

Shareholders will not have a ready market to sell Shares and Options in the Company.

Company successfully achieving its aims

The Company may not be successful in acquiring a business or project of sufficient merit, strength or potential.

The Directors are unable to provide investors with information as to the ultimate investments to be made by the Company, as no investment has been selected. Investors must therefore make their decision to invest on the basis of the skills of the Directors.

The raising of additional funds to acquire and support the acquisition of a business or project may not be possible (or not on sufficiently attractive terms). This may be due to reasons such as

- general market conditions
- investor sentiment and confidence.

No assurance can be given that future funding will be available to the Company on favourable terms, or at all, and no assurance can be given that the Company's Shares will be registered to quotation on ASX.

Timing

The Company has not presently identified a suitable asset or project. The timing of such asset identification is unknown and the Directors can give no assurance as to the ultimate timing.

Dependence on key personnel

The Company is dependent on its Directors, the loss of whose services could have an adverse effect on the business of the Company.

Additional Statutory and Other Information

15.1 Incorporation

The Company was incorporated on 15 September 1969.

15.2 Company Tax Status and Financial Year

The Company is taxed in Australia as a public company.

The financial year of the Company ends on 30 June annually.

15.3 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect the Company.

15.4 Material Contracts

Set out below is a brief summary of certain contracts which have been entered into by the Company and which have been identified as material and relevant to potential investors. To fully understand all rights and obligations of a material contract it would be necessary to review each contract in full and these summaries should be read in that light.

(a) Implementation Agreement

Details of the Implementation Agreement are set out in Section 3.3.

(b) Montagu Stockbrokers Pty Ltd Mandate Letter

Pursuant to a letter from Montagu Stockbrokers Pty Ltd ("**Montagu**") accepted by the Company on 27 March 2006 ("**Mandate**"), Montagu has been engaged to act as Sponsoring Broker and Lead Manager ("**Broker**") to the Offers.

The Broker's obligations are conditional on the following remaining matters (amongst other conditions):

- at the Meeting shareholders approving the issue of Shares and Options pursuant to the Offers as well as the other Resolutions; and
- compliance of the Prospectus with the Listing Rules, the Constitution and the Corporations Act.

The Broker is entitled to receive from the Company a fee of \$90,000 and a lodgement and selling fee of 5% of the total funds raised under the Public Offer. Montagu is also entitled to an introducing fee of \$100,000 for their review and introduction of the proposal for a merger with the Company to Emerald Gas. If the Offers are not completed, the Company has agreed to pay Montagu a fee of \$12,000 per month (pro-rata) from the date of the lodgement of the Prospectus until the close of the Prospectus or earlier termination of the Mandate. Montagu will pay for any direct expenses incurred by it in carrying out its engagement, unless otherwise agreed by the Company.

It is a further condition of Montagu's participation in the Mandate that the Company has agreed to indemnify and keep indemnified the Broker, its directors, officers, agents and staff against all liabilities, losses, demands, damages, penalties, proceedings, judgments, costs, fees or expenses which may be incurred, suffered, paid or liable to be paid directly or indirectly arising out of or in respect of the Mandate or the Offers.

Montagu may terminate the Mandate if (amongst other conditions):

- the Australian equity market conditions or ASX trading conditions are such that in the bona fide judgement of Montagu they are not conducive to the successful completion of the Mandate or events beyond the control of Montagu are so material or adverse so as to make it impracticable or inadvisable to proceed with the Offers;
- there is a material adverse effect including an adverse change in the assets, liabilities, financial position or prospects of the Company;
- ASX gives formal or informal notice that the securities of the Company will not be re-admitted to trading on the official list of ASX;
- default by the Company of any term of the Mandate;
- a Director or a Proposed Director is charged with an indictable offence or is disqualified from acting as a director of a corporation;
- ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offers;
- any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take such action; or
- all of the conditions to the Mandate have not been, or will not in Montagu's sole and absolute opinion be, satisfied, or waived by Montagu prior to completion of due diligence or such later date as agreed by Montagu in writing.

The Company has also provided standard representations and warranties to Montagu.

The Company may terminate the Mandate at any time before any offers of "firm" subscriptions made by Montagu have been accepted by prospective investors if Montagu fails to rectify any breach of the Mandate having been given 10 business days notice in writing by the Company of such breach having occurred.

(c) **USA Prospects - Agreements**

Emerald Gas has acquired or will acquire its interests in the USA Prospects pursuant to various agreements. Details of the interests and obligations Emerald Gas has under these agreements are outlined in Section 5.2 and in Section 11. Set out below is a summary of each of these agreements to which Emerald Gas or its wholly owned subsidiary, Emerald Gas USA LLC, is a party, and the other material terms which have not been disclosed elsewhere in this Prospectus.

Pandura Prospect Option and Participation Agreement dated 25 November 2005 between Daytona Energy Partners LP (ultimately owned by Daytona) and Emerald Gas USA LLC (wholly owned by Emerald Gas) under which Daytona grants to Emerald the exclusive option to acquire a working interest of between 10 and 15% in oil and gas leases acquired by Daytona within the Pandura Prospect, Webb County Texas. The option period expires on the earlier of:

- * 30 April 2006 or such other date as is agreed;
- * the listing of Emerald Gas on ASX or the completion of a merger by Emerald Gas with any company already listed on the ASX ("Listing Event"); or
- * 30 days prior to the planned spudding of the first well on the leases.

Emerald may exercise its option by (a) giving Daytona notice of such election; (b) paying Daytona the designated working interest share of a prospect generation fee of US\$50,000; and (c) paying Daytona the designated working interest share of land, seismic, data and other related costs totalling US\$300,000. If Emerald does not exercise the option within the option period, the agreement automatically terminates. If Emerald exercises its option, as further consideration, Emerald must transfer or cause to be issued to Daytona the number of Shares valued at AUD\$50,000 in Emerald or the company with which it has merged and based on either the closing price per share on the day the Shares are issued if the option has been exercised before the Listing Event, or the closing price per share on the day the option is exercised if the option is exercised after the Listing Event.

Emerald is obligated to pay its working interest share of all burdens of record on the leases, including a lessor royalty of 25%, and an overriding royalty of 2%. In addition, Emerald is obligated to pay its working interest share of the costs of the initial well on the Pandura Prospect through completion in the ratio of 1.5 times the working interest it elects to acquire. For example, if Emerald elects to acquire a 10% working interest, it will pay 15% of the costs of the initial well.

Operations on the leases including the drilling of the initial well on the Pandura Prospect will be carried out pursuant to an operating agreement to be agreed between the parties in a form annexed to the option and participation agreement. This is a standard form agreement which provides for the ongoing exploration and development of the oil and gas leases within the Pandura Prospect. The operating agreement regulates the relations between the parties in respect of exploring, developing and producing oil and gas, including:

- * the appointment (and removal) of an operator;
- * the drilling of wells;
- * the election of parties to participate, and the relinquishment of interest for non-participation;
- * the completion of wells, plugging and abandonment;
- * the expenditure and liability of parties; and
- * transfer of interests.

Emerald may terminate the option and participation agreement with respect to the obligation of acquiring additional leases if there is a change in control of Daytona or if Daytona ceases to be operator of the leases.

Progresso Prospect Option and Participation Agreement dated 25 November 2005 between Daytona Energy Partners LP (ultimately owned by Daytona) and Emerald Gas USA LLC (wholly owned by Emerald Gas) under which Daytona grants to Emerald the exclusive option to acquire a working interest of 30% in oil and gas leases acquired by Daytona within the Progresso Prospect, Hidalgo County Texas. The option period expires on the earlier of:

- * 30 April 2006 or such other date as is agreed;
- * the listing of Emerald Gas on ASX or the completion of a merger by Emerald Gas with any company already listed on the ASX ("Listing Event"); or
- * 30 days prior to the planned spudding of the first well on the leases.

Emerald may exercise its option by (a) giving Daytona notice of such election; (b) tendering Daytona the designated working interest share of a prospect generation fee in the amount US\$50,000 (payable to John M Glenn and Anthony E Krancer; and (c) paying Daytona the 30% working interest share of all seismic, land acquisition, administration and legal expenses incurred by Daytona with respect to the Progresso Prospect. If Emerald does not exercise the option within the option period, the agreement automatically terminates. If Emerald exercises its option, as further consideration, Emerald must transfer or cause to be issued to Daytona the number of Shares valued at AUD\$50,000 in Emerald or the company with which it has merged and based on either the closing price per Share on the day the Shares are issued if the option has been exercised before the Listing Event, or the closing price per Share on the day the option is exercised if the option is exercised after the Listing Event.

Emerald is obligated to pay its working interest share of all burdens of record on the leases, including an overriding royalty interest equal to the difference between lease burdens and 22%. In addition, Emerald is obligated to pay 45% of Daytona's costs of the initial well on the Progresso Prospect through completion.

Operations on the leases including the drilling of the initial well on the Progresso Prospect will be carried out pursuant to an operating agreement to be agreed between the parties in a form annexed to the option and participation agreement. This is the standard form of agreement which provides for the ongoing exploration and development of the oil and gas leases within the Progresso Prospect. The operating agreement regulates the relations between the parties in respect of exploring, developing and producing oil and gas, including:

- * the appointment (and removal) of an operator;
- * the drilling of wells;
- * the election of parties to participate, and the relinquishment of interest for non-participation;
- * the completion of wells, plugging and abandonment;
- * the expenditure and liability of parties; and
- * transfer of interests.

Emerald may terminate the option and participation agreement with respect to the obligation of acquiring additional leases if there is a change in control of Daytona or if Daytona ceases to be operator of the leases.

Sharon North Prospect Option and Participation Agreement dated 25 November 2005 between Daytona Energy Partners LP (ultimately owned by Daytona) and Emerald Gas USA LLC (wholly owned by Emerald Gas) under which Daytona grants to Emerald the exclusive option to acquire a working interest of 25% in oil and gas leases acquired by Daytona within the Sharon North Prospect, Jasper County Mississippi. The option period expires on the earlier of:

- * 30 April 2006 or such other date as is agreed;
- * the listing of Emerald on ASX or the completion of a merger by Emerald Gas with any company already listed on the ASX ("Listing Event"); or
- * 30 days prior to the planned spudding of the first well on the leases.

Emerald may exercise its option by (a) giving Daytona notice of such election; (b) paying Daytona a prospect generation fee equal to 50% of US\$35,000; and (c) paying Daytona 50% of all seismic, land acquisition, administration and legal expenses incurred by Daytona with respect to the Sharon North Prospect. If Emerald does not exercise the option within the option period, the agreement automatically terminates. If Emerald exercises its option, as further consideration, Emerald must transfer or cause to be issued to Daytona the number of Shares valued at AUD\$50,000 in Emerald or the company with which it has merged and based on either the closing price per share on the day the Shares are issued if the option has been exercised before the Listing Event, or the closing price per share on the day the option is exercised if the option is exercised after the Listing Event.

Emerald is obligated to pay its working interest share of all burdens of record on the leases, including royalties. In addition, Emerald shall bear its working interest share of a 1% to 1.5% overriding royalty which varies depending upon the amount of lessor royalty. In addition, Emerald is obligated to pay 50% of the costs of the initial well on the Sharon North Prospect to test the Selma Chalk carbonates found at 4,900 feet until the earlier of completion of such well or such time as its 50% share of pre-drilling expenses and drilling expenses total US\$300,000.

Operations on the leases including the drilling of the initial well on the Sharon North Prospect will be carried out pursuant to an operating agreement to be agreed between the parties in a form annexed to the option and participation agreement. This is the standard form of agreement which provides for the ongoing exploration and development of the oil and gas leases within the Sharon North Prospect. The operating agreement regulates the relations between the parties in respect of exploring, developing and producing oil and gas, including:

- * the appointment (and removal) of an operator;
- * the drilling of wells;

- the election of parties to participate, and the relinquishment of interest for non-participation;
- the completion of wells, plugging and abandonment;
- the expenditure and liability of parties; and
- transfer of interests.

Emerald may terminate the option and participation agreement with respect to the obligation of acquiring additional leases if there is a change in control of Daytona or if Daytona ceases to be operator of the leases.

Hamlet Prospect Participation Agreement dated 20 December 2005 between Golden Eye Resources, LLC and Emerald Gas USA, LLC under which Golden Eye grants to Emerald the option to acquire an 18.75% working interest in an initial test well in the Hamlet Prospect, Renville County, North Dakota. Emerald will not be entitled to acquire its working interest unless all of the following conditions are met:

- Emerald must pay a prospect fee of US\$18,750 ("Prospect Fee") to Golden Eye on the earliest of (a) 28 February 2006; (b) Emerald Gas listing on ASX or (c) when a rig is available to drill the initial test well. Following notice from Golden Eye that a rig had become available to drill the test well in March, Emerald paid the Prospect Fee on January 27, 2006.
- simultaneously with the payment of the Prospect Fee, Emerald commits to pay and ultimately does pay prior to drilling of the initial test well 25% of the dry hole costs and expenses of the initial test well;
- if the initial test well is a dry hole and Golden Eye plugs and abandons the initial test well, then Emerald will have a right to an assignment of the 18.75% working interest;
- if Golden Eye attempts to complete the initial test well as a producer and Emerald elects to participate in such completion, Emerald must pay in advance 18.75% of the estimated completion costs and Emerald will have the right to an assignment of the 18.75% working interest; and
- Emerald must execute the operating agreement in the form annexed to the participation agreement, and which names Golden Eye as operator.

If one of these conditions is not met, Emerald will not be entitled to acquire the 18.75% working interest or any other interest in the initial test well and any operating agreement executed by Emerald will be null and void.

If Emerald is assigned its 18.75% working interest in the initial test well, then Golden Eye will also grant Emerald rights under the operating agreement to be entered between Golden Eye and Emerald for the joint participation in the evaluation, exploration and development of the oil and gas leases the subject of the Hamlet Prospect.

If the conditions in the initial test well are such that in Golden Eye's opinion, further drilling is impractical or unwarranted, Golden Eye may designate a replacement well and Emerald may elect to participate in the replacement well by paying in advance 25% of the dry hole costs of the replacement well.

The operating agreement to be executed by Emerald Gas is a standard form of agreement which provides for the ongoing exploration and development of the oil and gas leases within the Hamlet Prospect. The operating agreement regulates the relations between the parties in respect of exploring, developing and producing oil and gas, including:

- the appointment (and removal) of an operator;
- the drilling of wells;
- the election of parties to participate, and the relinquishment of interest for non-participation;
- the completion of wells, plugging and abandonment;
- the expenditure and liability of parties; and
- transfer of interests.

Daytona Memorandum of Understanding dated 5 October 2005 between Daytona Energy (USA) LLC (ultimately owned by Daytona) and Emerald Gas USA LLC (wholly owned by Emerald Gas) under which both parties agree to the formation of an Area of Mutual Interest Joint Venture ("AMI") for the joint evaluation and exploration of the geographic area of South Texas. The memorandum of understanding provides for a formal AMI agreement to be entered into based on the terms and conditions set out in the memorandum of understanding. As at the date of this Prospectus, a formal AMI agreement has not been entered into. Further details of the AMI are set out in Section 5 of this Prospectus.

Glenn & Krancer Memorandum of Understanding dated 15 August 2005 between Emerald Gas and John M Glenn and Anthony E Krancer ("Glenn & Krancer") under which Glenn & Krancer grant to Emerald Gas a 90 day option to acquire up to a 25% working interest in any projects generated by Glenn & Krancer and presented to Emerald Gas. The option is limited to Duval, Jim Hogg, Hidalgo and Starr counties in Texas, and under the memorandum of understanding, the parties agree to enter into a formal option agreement.

The option will have an initial one year term to be extended by mutual agreement, and the agreement may be terminated by either party with 60 day's notice.

Prospect fees and royalty interests for each prospect will be payable and will be based on the work undertaken by those involved in generating the prospect, and payment will be made upon leasing the pre-determined number of acres.

Under the memorandum of understanding, commencing on the first of each month following Emerald Gas's admission to ASX and no later than following the month after review of the initial prospect offering, Emerald Gas will contribute US\$2,000 per month to cover Glenn & Krancer's overhead expenses. Emerald has been contributing US\$2,000 per month since November 2005.

Under the memorandum of understanding, Glenn & Krancer may introduce third party projects to Emerald Gas, and if such projects are subsequently acquired by Emerald Gas, a finders fee will be payable to Glenn & Krancer, to be negotiated at the time the prospect is introduced to Emerald Gas.

(d) **Australian Prospects - Agreements**

Details of the agreements relating to Emerald Gas's Australian Prospects are set out in the Australian solicitor's report in Section 12 of the Prospectus.

(e) **Service Agreements**

The Company has entered into a service agreement with Ventnor Capital Pty Ltd under which Ventnor Capital will provide the services of Mr John Hannaford as Executive Director – Finance of the Company, subject to Completion. Under the agreement, Ventnor Capital will be paid consulting fees of \$8,000 per month. The agreement is for a term of 2 years and may be terminated at any time by either party giving 3 months notice in writing to the other party.

The Company has entered into a service agreement with Berven Consultants Pty Ltd under which Berven Consultants will provide the services of Mr Robert Berven as Executive Director – Technical of the Company, subject to Completion. Under the agreement, Berven Consultants will be paid consulting fees of \$4,166 per month for a minimum of 10 days per month. The agreement is for a term of 2 years and may be terminated at any time by either party giving 3 months notice in writing to the other party.

15.5 General Meeting of Shareholders

The acquisition of a 100% interest in Emerald Gas constitutes a significant change in the nature of the Company's activities and in accordance with Chapter 11 of the Listing Rules, the Company will seek shareholder approval at a General Meeting to be held in May 2006. A brief description of resolutions to be put to shareholders at the General Meeting follows:

- (a) approval of the consolidation of the Existing Fully Paid Shares, the New Fully Paid Shares and the Existing Partly Paid Shares in accordance with the Consolidation;
- (b) approval of the Transaction;
- (c) approval of the Capital Raising Shares;
- (d) the issue of 17,250,000 free Options to the Cash Subscribers on the basis of one Option for every Capital Raising Share issued and up to approximately 3,062,186 free Options to Accepting Shareholders on the basis of one Option for every post Consolidation New Share held;
- (e) the change of name of the Company to "Emerald Oil & Gas NL";
- (f) the Daytona Issue;
- (g) the issue of the Management Options; and
- (h) the issue of the Ventnor Options.

15.6 Rights Attaching to the Shares

The Shares will upon issue rank equally in all respects with all fully paid Shares in the Company.

The following are the more important rights, privileges and restrictions which the New Shares offered for subscription by this Prospectus (and the existing fully paid Shares already on issue in the Company) will carry:

Voting Rights

Subject to any special rights or restrictions for the time being attached to any class or classes of Shares in the Company (at present there are none), at a general meeting every Shareholder present in person or by proxy, representative or attorney will have a vote on a show of hands and, on a poll, one vote for each fully paid Share held. In respect of each Partly Paid Share held, a person has a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the Partly Paid Share.

General Meetings

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution or the Corporations Act and the Listing Rules.

Dividend

Subject to the rights of any preference shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, (at present there are none) any dividend as declared shall be payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up in respect of such Shares, unless, it was a term of issue of such Shares that they would carry full dividend rights, and such Shares were issued on a pro rata basis to shareholders.

Creation and issue of further Shares

The allotment and issue of any additional Shares in the capital of the Company is under the control of the Directors. Subject to any restrictions imposed by the Constitution, the Corporations Act and the Listing Rules, the Directors may at any time and from time to time issue such number of Shares as ordinary Shares or Shares of a named class or classes (being either an existing or new class) and with such preferred, deferred, or other special rights or such restrictions whether with regard to dividend, return of capital, or otherwise as the Directors shall, in their absolute discretion, determine.

Winding Up

In a winding up the liquidator may with the sanction of a special resolution divide the available assets amongst Shareholders.

Transfer of Shares

Generally, the Company shall not refuse to register or fail to register or give effect to any transfer in registrable form of a fully paid or partly paid security issued by the Company on the official list of ASX. However, the Directors may decline to register a transfer where:

- the refusal would not contravene the Listing Rules of the SCH Business Rules;
- subject to section 259C of the Corporations Act, where the transfer is to a subsidiary of the Company; and
- the Corporations Act, the Listing Rules of the SCH Business Rules forbid the registration.

15.7 Dividends

The Company does not propose to pay any dividends out of any profits that it may earn by the investment of its surplus cash in interest bearing accounts.

Any alteration to the Company's dividend policy which may arise as a result of the acquisition of any asset or business will be reassessed and determined by the Board from time to time depending upon the level of profits (if any) that the Company may earn thereafter.

15.8 Rights Attaching to Existing Director Options

A summary of the terms and conditions of the Existing Director Options is set out below:

- (a) each Option is exercisable on or before 5.00 pm Perth time on or before 5 years from Completion;
- (b) The Options held by each holder can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (c) The pre Consolidation exercise price of each Option is \$0.0013 in cash;
- (d) The Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the Optionholder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (e) The Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options;
- (f) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on Optionholders which are not conferred on Shareholders;

- (g) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues;
- (h) Application will not be made for the Options to be granted quotation by ASX;
- (i) Subject to paragraph (g) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

15.9 Terms and Conditions of the Shareholder Options

A summary of the terms and conditions of the Shareholder Options is set out below:

- (a) the Options expire at 5.00 pm Perth time on 31 May 2008. Any Option not exercised before that time automatically lapses;
- (b) any portion of the total number of Options held may be exercised by the holder;
- (c) each Option carries the right to subscribe for one ordinary fully paid Share, subject to the adjustment provisions which are set out below;
- (d) subject to the adjustment provisions which are set out below, the exercise price of the Options is \$0.20 per Share, payable in full on application. Shares will be credited as a fully paid Share on payment of the exercise price;
- (e) Options are fully transferable, subject to the same restrictions which apply to Shares (including any restriction required by ASX under the restricted securities provisions of the ASX Listing Rules);
- (f) Options are exercisable by the delivery to the registered office of the Company a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by a cheque made payable to the Company for the subscription money due, subject to the funds being cleared funds. The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held;
- (g) the Company must issue the Shares no later than 14 business days after receipt of the notice of exercise of the Options and the exercise money;
- (h) Shares issued on the exercise of Options will rank, as from the date of issue, equally in all respects with the then issued Shares;
- (i) a statement of holding will be issued for the Options. The reverse side of each statement will set out the rights of the Option holder and a notice that is to be completed when exercising the Options;
- (j) if the Company is listed on any Australian Stock Exchange, application will be made for the Options to be granted quotation by ASX, and the Company must make application to have Shares issued on an exercise of Options listed for official quotation by that stock exchange no later than three business days after the issue of the Shares following the exercise of the Options;
- (k) Options will not entitle the holder to participate in any new pro-rata issue of securities of the Company. However, an entitlement to participate will apply following the exercise of the Options. Option holders will be afforded the period of at least nine business days before the record date of a new pro-rata issue of securities to exercise the Options;
- (l) if the issued capital of the Company is reconstructed the number of Options or the exercise price of the Options or both must be reconstructed (as appropriate) so that there will not be any benefits conferred on Option holders which are not conferred on shareholders. Subject to the rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital the terms for the exercise of Options must remain unchanged in all other respects;
- (m) the Options do not give any right to participate in any dividends declared by the Company. Shares issued on the exercise of the Options rank equally for dividends with other Shares;
- (n) the number of Shares issued on the exercise of Options will be adjusted for pro rata bonus issues made before exercise of Options. The effect of this adjustment will be that, on the exercise of the Options, the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised before the record date for bonus issues. The exercise price of the Options will not change because of any bonus issue;
- (o) if there is a pro rata rights issue to shareholders in the Company before the exercise of an Option then subject to any applicable Listing Rule, the exercise price of the Option will be reduced according to the following formula:

$$O' = \frac{O - E [P - (S + D)]}{N + 1}$$

Where:

- O' = the new exercise price of the Option
- O = the old exercise price of the Option
- E = the number of Shares into which Option is exercisable
- P = the average market price per share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the ex rights date or the ex entitlement date
- S = the subscription price for a share under the pro-rata issue
- D = the dividends due but not yet paid on the existing Shares (except those to be issued under the issue)
- N = the number of Shares with rights or entitlement that must be held to receive a right to one new Share

15.10 Terms and Conditions of the Management Options

Shareholder approval is being sought at the Meeting for the issue of the Management Options, and the issue of the Management Options is conditional on Shareholder approval being obtained. The Management Options comprise:

- (i) 2,000,000 Options vesting immediately on Completion and exercisable at 25 cents each on or before 31 December 2008; and
- (ii) 2,000,000 Options vesting one year after Completion exercisable at 30 cents each on or before 31 December 2009.

The Management Options will be issued to the Company's Management (including Board members) or their respective nominees, to be distributed in proportions yet to be determined by the Board.

A summary of the terms and conditions of the Management Options is set out below:

- (a) the Management Options comprise 2 tranches as follows:
 - (i) 2,000,000 Options vesting immediately on Completion with an exercise price of \$0.25 each and exercisable on or before 5.00 pm Perth time on 31 December 2008; and
 - (ii) 2,000,000 Options vesting on the 1st anniversary of Completion with an exercise price of \$0.30 each and exercisable on or before 5.00 pm Perth time on 31 December 2009;

Each Option carries the right to subscribe for one ordinary fully paid Share, subject to the adjustment provisions referred to below.
- (b) the Options held by each holder can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion except where less than 500 Options are held when all the Options must be exercised at once;
- (c) Options are fully transferable subject to the same restrictions which apply to Shares (including any restrictions required by ASX under the restricted securities provisions of the Listing Rules);
- (d) Options are exercisable by the delivery to the registered office of the Company a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by a cheque made payable to the Company for the subscription money due, subject to the funds being cleared funds. The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held;
- (e) the Company must issue the Shares no later than 14 business days after receipt of the notice of exercise of the Options and the exercise money;
- (f) Shares issued on the exercise of Options will rank, as from the date of issue, equally in all respects with the then issued Shares;
- (g) a statement of holding will be issued for the Options. The reverse side of each statement will set out the rights of the Option holder and a notice that is to be completed when exercising the Options;
- (h) The Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the Optionholder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (i) The Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options;
- (j) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on Optionholders which are not conferred on Shareholders;

- (k) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues;
- (l) Application will not be made for the Options to be granted quotation by ASX;
- (m) Subject to paragraph (k) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

15.11 Terms and Conditions of the Ventnor Options

Shareholder approval is being sought at the Meeting for the issue of the Ventnor Options to Ventnor Capital, a company controlled by Mr John Hannaford, and the issue of the Ventnor Options is conditional on Shareholder approval being obtained. The Ventnor Options comprise 1,500,000 Options each exercisable at 25 cents each on or before 28 February 2010.

A summary of the terms and conditions of the Ventnor Capital Options is set out below:

- (a) each Option is exercisable on or before 5.00 pm Perth time on 28 February 2010;
- (b) the Options held by Ventnor Capital can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (c) the exercise price of each Option is \$0.25 in cash;
- (d) Options are fully transferable, subject to the same restrictions which apply to Shares (including any restrictions required by ASX under the restricted security provisions of the Listing Rules);
- (e) Options are exercisable by the delivery to the registered office of the Company a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by a cheque made payable to the Company for the subscription money due, subject to the funds being cleared funds. The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held;
- (f) the Company must issue the Shares no later than 14 business days after receipt of the notice of exercise of the Options and the exercise money;
- (g) Shares issued on the exercise of Options will rank, as from the date of issue, equally in all respects with the then issued Shares;
- (h) a statement of holding will be issued for the Options. The reverse side of each statement will set out the rights of the Option holder and a notice that is to be completed when exercising the Options;
- (i) the Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the Optionholder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (j) the Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options;
- (k) in the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules and in any case in a manner which will not result in any benefits being conferred on Optionholders which are not conferred on Shareholders;
- (l) the number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues;
- (m) application will not be made for the Options to be granted quotation by ASX;
- (n) subject to paragraph (l) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

15.12 Directors' Interests

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- (c) the Offers;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him or her to become, or to qualify as, a director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offers.

Shareholding Qualifications

The Directors are not required to hold any Shares in the Company under the constitution of the Company.

Existing Directors' Holdings

Set out in the table below are details of each of the Existing Directors' relevant interests in the securities of the Company as at the date of this Prospectus:

NAME OF EXISTING DIRECTOR	NUMBER OF EXISTING FULLY PAID SHARES HELD (PRE CONSOLIDATION)	NUMBER OF EXISTING FULLY PAID SHARES HELD	NUMBER OF EXISTING DIRECTOR OPTIONS HELD (PRE CONSOLIDATION)
Mr Jeremy Shervington	182 million	Nil	50 million
Mr Adam Rankine-Wilson	182 million	Nil	30 million
Mr Alan Coulthard	10 million	Nil	10 million

Certain of the above securities may be distributed to nominees of the Existing Directors prior to Completion. These interests will also be adjusted following Completion as a result of the Consolidation, and participation by the Existing Directors in the Offers, and as a result of any participation by Mr Shervington in Management Options under which he may receive up to 4,000,000 Management Options assuming (which is highly unlikely) no other Management Options are issued to any other Management person.

Details of the terms and conditions of the Existing Director Options are set out in Section 15.8 and details of the terms and conditions of the Management Options are set out in Section 15.10.

The Existing Directors will not subscribe for Shares under the Shareholder Offer, and may subscribe for Shares and Options under the Public Offer.

Remuneration of Directors

The Constitution provides that the Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting.

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

No remuneration has accrued in respect of the Existing Directors as at the date of this Prospectus.

It is proposed that as from Completion the non-executive Directors fees will be increased to market levels.

Proposed Director's Holdings

The Company will seek shareholder approval at the General Meeting to be held on in April for the acquisition of a 100% interest in Emerald Gas. If Shareholders approve all Resolutions at the General Meeting, following Completion Mr John Hannaford and Mr Robert Berven will be appointed as directors of the Company.

At the date of this Prospectus, the Proposed Directors do not hold any interest in the existing securities of the Company.

The Proposed Directors will receive the following securities if all of the Resolutions are approved at the General Meeting:

- (i) the Proposed Directors will receive Consideration Shares in consideration for Emerald Gas Shares held by them;
- (ii) the Proposed Directors may receive Management Options; and
- (iii) a company associated with Mr John Hannaford, Ventnor Capital, will receive the Ventnor Options.

In this regard, the table below sets out the details of the maximum number of securities to be held by the Proposed Directors and their Associates immediately after Completion.

NAME OF PROPOSED DIRECTOR	NUMBER OF FULLY PAID SHARES (POST CONSOLIDATION)	NUMBER OF EXISTING PARTLY PAID SHARES	NUMBER OF OPTIONS HELD
Mr John Hannaford	2,479,614	Nil	Up to 5,500,000 [*]
Mr Robert Berven	2,819,055	Nil	Up to 4,000,000 ^{**}

^{*} Comprising 4,000,000 Management Options and 1,500,000 Ventnor Options. This assumes all of the Management Options the subject of a Resolution at the Meeting are issued to Mr Hannaford, and none are issued to any other Management person.

^{**} Comprising 4,000,000 Management Options. This assumes all of the Management Options the subject of a Resolution at the Meeting are issued to Mr Berven, and none are issued to any other Management person.

Details of the terms and conditions of the Management Options are set out in Section 15.10 and details of the terms and conditions of the Ventnor Options are set out in Section 15.11.

Related Party Transactions

The following related party transaction have taken place:

- A legal firm of which Mr Shervington, an Existing Director, is a director will receive legal fees of approximately \$50,000 in connection with the Offer. The firm has not received any other legal fees or reimbursement of disbursements from the Company in the 2 years before the lodgement of this Prospectus but is expected to render fees in respect of the legal work carried out in connection with the Recapitalisation of approximately \$50,000. The firm may receive fees for other legal services provided to the Company from time to time, which will be charged at commercial rates.
- Ventnor Capital Pty Ltd has acted as corporate adviser to Emerald Gas for which Emerald Gas has agreed to pay \$7,500 per month for corporate advisory services and for the services of Mr John Hannaford as Executive Director – Finance from 20 September 2005 until Completion being a total of approximately \$47,500. Emerald Gas has agreed to pay Ventnor Capital \$2,000 per month for the provision of office and administrative services from September 2005 until Completion being a total of approximately \$12,700.

The above transactions were entered into on arms length commercial terms.

Other Interests

Mr Brian Hockney is a director of Montagu Capital Ltd and Montagu Corporate Pty Ltd, companies that are associated with the Sponsoring Broker and Lead Manager to the Issue. Mr Hockney is a former Director of the Company who holds (with his Associates) 61,090,519 Shares (before the Consolidation). As outlined in Section 15.4(c), following Completion, Montagu Stockbrokers Pty Ltd are to receive a fee of \$100,000 for identification of Matrix as a merger partner for Emerald Gas and other fees as noted in Section 15.13.

Mr Frank Silc is a former Director of the Company and does not hold any Shares, Partly Paid Shares or Options.

15.13 Interests of Named Persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus holds, or during the last two years has held, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offers; or
- the Offers;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offers.

Montagu Stockbrokers Pty Ltd will act as Sponsoring Broker and Lead Manager to the Offers. For these services the Company will pay a fee of \$90,000 as well as a 5% commission in respect of funds raised under the Public Offer.

A firm of which Mr Shervington is a principal has acted as solicitor to the Offers and will be remunerated as shown above.

Mr Marvin Ginzel has prepared the USA Independent Geologist's Report included in Section 7 of this Prospectus. In respect of this work the Company has agreed to pay approximately \$20,000 for these services.

Mulready Consulting Services Pty Ltd has prepared the Australian Independent Geologist's Report included in Section 8 of this Prospectus. In respect of this work the Company has agreed to pay \$2,200 (including GST) for these services.

Ventnor Capital Pty Ltd has acted as corporate advisor to Emerald Gas for which Emerald Gas has agreed to pay \$7,500 per month for corporate advisory services and for the services of Mr John Hannaford as Executive Director, since 20 September 2005, and an additional \$2,000 per month for the provision of office and administrative services.

Allison & Shoemaker LLP have prepared the Solicitor's Report on the USA Tenements included in Section 11 of this Prospectus. In respect of this work the Company has agreed to pay approximately \$20,000 for these services.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

15.14 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section; and
- (c) has not authorised or caused the issue of this Prospectus.

Mr Marvin Ginzel has given his written consent to the inclusion in this Prospectus of his USA Independent Geologist's Report and all statements referring to him and to the report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Mulready Consulting Services Pty Ltd has given its written consent to the inclusion in this Prospectus of its Australian Independent Geologist's Report and all statements referring to it and to the report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Allison and Shoemaker LLP have given its written consent to the inclusion in this Prospectus of its Solicitor's Report on the USA Tenements and all statements referring to them and to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Jeremy Shervington has given his written consent to the inclusion in this Prospectus of his Solicitor's Report on the Australian Tenements and all statements referring to him and to that report in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and to the references to them in this Prospectus in the form and context in which they appear and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- * Montagu Stockbrokers Pty Ltd as Sponsoring Broker and Lead Manager;
- * Jeremy Shervington as Solicitor to the Issue; and
- * Ventnor Capital Pty Ltd as Corporate Adviser to Emerald Gas.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as share registry to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus. There are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

15.15 Costs of the Offers

Assuming the Offers made pursuant to this Prospectus are fully subscribed, the total estimated costs of the Offers, including legal fees incurred, registration fees, fees for other advisers, Prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$539,010 (exclusive of any goods and services tax which may be payable on that amount) comprising the following:

	\$
ASIC lodgement fee	2,010
ASX fees	30,000
Broker fees (Assuming \$3 million raised from Public Offers)	340,000
Independent Geologists' Reports	22,000
Australian Legal	50,000
Share Registry and Chess	5,000
Printing, mailing etc.	60,000
Accounting	10,000
USA Legal	20,000
	539,010

15.16 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with the ASIC and the issue of Shares in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Public Offer Application Form. If you have not, please contact the Company at email at info@emeraldoilandgas.com or telephone + 618 9482 0510 and the Company will send to you free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Public Offer Application Form from a person if it has reason to believe that when that person was given access to the electronic Public Offer Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

Glossary of Defined Terms

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

"15 December General Meeting"	means the general meeting of the Shareholders of the Company held on 15 December 2005;
"15 December Notice"	means the notice convening the general meeting of the Shareholders of the Company dated 9 November 2005;
"Accepting Shareholders"	means those of the Pre-Existing Fully Paid Shareholders who accept the Shareholder Offer;
"Administrators"	means Mr Bryan Kevin Hughes and Mr Vincent Anthony Smith jointly and severally, in their capacity as deed administrators of the DOCA;
"Applicant"	means a person applying for Shares (as the context requires) in accordance with this Prospectus.
"Application"	means a valid application made to subscribe for a specified number of Shares pursuant to this Prospectus;
"Application Form"	means an application form accompanying this Prospectus;
"Application Monies"	means monies received by the Company in respect of Applications;
"Associate"	has the meaning set out in Sections 11 to 17 of the Corporations Act;
"ASIC"	means the Australian Securities & Investments Commission;
"ASTC"	means ASX Settlement and Transfer Corporation Pty Ltd;
"ASX"	means the Australian Stock Exchange Limited ACN 008 624 691;
"ASX Requirements"	means those of the requirements of the Listing Rules (particularly Chapters 1, 2 and 11) which (subject to any waivers that may be obtained) are required to be complied with in order for Completion to occur and for Shares to be reinstated to trading on ASX;
"Australian Prospects"	means Emerald Gas's interests in the tenements and projects located in Australia and outlined in Section 5.3;
"Bcf"	means billion cubic feet (10 to the power of 9) cubic feet) = 28.317 million cubic metres;
"Board"	means the board of Directors of the Company from time to time;
"business day"	has the meaning ascribed to it in the Listing Rules;
"Capital Raising"	means the proposed issue of 15,000,000 Shares with one free Option for every Share subscribed for under the Public Offer to raise \$3,000,000 in accordance with this Prospectus, and "Capital Raising Funds" and "Capital Raising Shares" each has a corresponding meaning;
"Capital Raising Options"	means 15,000,000 Options to be offered as part of the Capital Raising;
"Cash Subscribers"	means those persons that subscribe cash to the Public Offer;
"Company"	means Matrix Oil NL ACN 009 795 046
"Completion"	means completion of the Transaction, including all of the transactions contemplated by the Implementation Agreement;
"Completion Date"	means the date on which Completion occurs;
"Consideration Shares"	means the 17,600,000 Shares to be issued to the Vendors under the Implementation Agreement;

"Constitution"	means the constitution of the Company;
"Consolidation"	means the consolidation of the existing issued capital of the Company on the following basis: <ul style="list-style-type: none"> (a) in the event that the Shareholder Offer is fully subscribed, the Existing Fully Paid Shares and the New Fully Paid Shares be converted to 9,750,000 Shares and the Existing Partly Paid Shares be converted to 120,124 Partly Paid Shares as detailed in the Notice of Meeting, with any fractional entitlements to Shares and Partly Paid Shares that would otherwise arise being disregarded, as and to the extent necessary; or (b) in the event that the Shareholder Offer is not fully subscribed, the Existing Fully Paid Shares and the New Fully Paid Shares be converted to between 7,500,000 and 9,750,000 Shares and the Existing Partly Paid Shares be and are hereby converted to between 134,712 and 120,124 Partly Paid Shares on the basis that for every \$1.00 subscribed pursuant to the Shareholder Offer: <ul style="list-style-type: none"> (i) the post Consolidation aggregate number of Existing Fully Paid Shares and New Fully Paid Shares increases from 7,500,000 by 4.5 Shares; and (ii) the post Consolidation number of Partly Paid Shares decreases from 134,712; as detailed in the Notice of Meeting, with any fractional entitlements to Shares and Partly Paid Shares that would otherwise arise being disregarded, as and to the extent necessary.
"Daytona"	means Daytona Energy Corp., a TSX Venture listed company;
"Daytona Issue"	means the issue of 750,000 Shares to Daytona;
"Daytona Shares"	means the 750,000 Shares to be issued to Daytona under the Implementation Agreement;
"Deed Administrators"	means the Administrators of the DOCA;
"Directors"	means each of the persons who act as directors of the Company from time to time;
"DOCA"	means the Deed of Company Arrangement executed on 2 December 2002 between the Deed Administrators and Matrix and varied by resolution of the creditors of the Company on 23 August 2005;
"DOCA Completion"	means the date on which completion of the transactions with creditors approved at the 15 December Meeting occurred namely 23 January 2006 and "DOCA Completion Date" has a corresponding meaning;
"Electronic Prospectus"	means an electronic version of this Prospectus;
"Emerald Gas"	means Emerald Gas Limited ACN 112 283 520;
"Emerald Gas Shares"	means the 17,000,000 fully paid ordinary Shares in Emerald Gas;
"Empire Oil & Gas NL" and "Empire Oil NE"	means Empire Oil & Gas NL ACN 063 613 730;
"Existing Director"	means each of Mr Jeremy Shervington, Mr Adam Rankine-Wilson and Mr Alan Coulthard;
"Existing Director Options"	means the Options issued to the Existing Directors following the 15 December Meeting on the terms and conditions outlined in Section 15.8;
"Existing Fully Paid Shareholder"	means the holder of an Existing Fully Paid Share;
"Existing Partly Paid Shares" and "Partly Paid Shares"	means the 16,345,016 partly paid Shares in the Company each with an amount of \$0.14683375 payable at call before the Consolidation;

"Existing Shareholder"	means the holder of an Existing Share and/or an Existing Partly Paid Share;
"Existing Shares" and "Existing Fully Paid Shares"	means the 910,000,000 issued fully paid Shares the Company at the date of this Prospectus;
"Explanatory Memorandum"	means the explanatory memorandum accompanying the Notice of Meeting;
"Expanded Matrix Shareholders" and "Expanded Shareholders"	means on any relevant record date the holders of Existing Fully Paid Shares with a registered address in Australia or New Zealand and of New Fully Paid Shares;
"General Meeting" and "Meeting"	means the general meeting of Shareholders of the Company to be held May 2006 for the purpose of considering the Resolutions;
"Gulliver Productions Pty Ltd"	means Gulliver Productions Pty Ltd ACN 008 729 584;
"Implementation Agreement"	means an agreement dated 28 March 2006 between Emerald Gas and the Company;
"Issue"	means the proposed issue of Shares and Options under this Prospectus;
"Listing Rules"	means the official listing rules of ASX;
"Management"	means executives of the Company and non-executive Directors;
"Management Options"	means: <ul style="list-style-type: none"> (a) 2,000,000 options vesting immediately and exercisable at 25 cents each on or before 31 December 2008; and (b) 2,000,000 options vesting one year after Completion and exercisable at 30 cents each on or before 31 December 2009, to be issued on the terms and conditions set out in Section 15.10;
"Matrix"	means Matrix Oil NL ACN 009 795 046
"MMbo"	means millions of barrels of oil;
"Mmcf"	means millions of cubic feet per day = 28,317 cubic metres per day;
"Mcf"	means thousands of cubic feet (of gas);
"Mcf/d"	means thousands of cubic feet per day = 28.317 cubic metres per day;
"New Fully Paid Shares" and "New Shares"	means Shares issued pursuant to the Shareholder Offer;
"Notice" and "Notice of Meeting"	means the notice convening the general meeting of the Company to be dated in or about March 2006.
"Offers"	means the Shareholder Offer, the Public Offer and the Shareholder Option Issue the subject of this Prospectus;
"Option"	means an option to acquire a Share and unless the context otherwise requires means an offer to be issued on the terms set out in Section 15.9;
"Over-subscriptions"	means Applications for up to 2,500,000 Shares and attaching Options in excess of the 15,000,000 Shares offered under the Public Offer, and where applicable means the money subscribed and the relevant Shares and Options;
"Participation Interests" and "Participation Interest Options"	means the following options granted to Emerald Gas <ul style="list-style-type: none"> (a) an option to participate in a 10% to 15% working interest in the Pandura oil and gas exploration project located in Webb county, Texas; (b) an option to participate in a 30% working interest in the Progreso oil and gas exploration project located in Hidalgo county, Texas; (c) an option to participate in a 25% working interest in the Sharon oil and gas exploration project located in Jasper county Mississippi; and (d) an option to participate in an 18.75% working interest in the Hamlet oil and gas exploration project in Renville county North Dakota;

"Pre-Existing Fully Paid Shareholders" and "Eligible Shareholders"	means those Existing Fully Paid Shareholders who hold the 215 million Shares described in Resolution 1 in the 15 December Notice, and who have registered addresses in Australia or New Zealand;
"Privacy Act"	means the Privacy Act 1988 (Cth);
"Projects"	means the projects of Emerald Gas outlined in Section 5;
"Proposed Directors"	means Mr John Hannaford and Mr Robert Berven;
"Prospects"	means the USA Prospects and the Australian Prospects;
"Public Offer"	means the issue of up to 15,000,000 Shares (after the Consolidation) at a price of \$0.20 each to the public to raise up to \$3,000,000;
"Public Offer Application Form"	means the form so described which is attached to or accompanies this Prospectus;
"Public Offer Closing Date"	means 5.00pm WST on 18 May 2006 or such other date as the Directors determine subject to the Corporations Act and the Listing Rules;
"Public Offer Shares"	means up to 15,000,000 Shares (after the Consolidation) to be issued under the Public Offer;
"Recapitalisation"	means the proposal for the recapitalisation of the Company as described in Section 1 of the explanatory memorandum to the 15 December Notice;
"Resolutions"	means the resolutions to be considered by Shareholders at the General Meeting as contained in the Notice of Meeting including to: <ul style="list-style-type: none"> (a) consolidate the Existing Fully Paid Shares, the New Fully Paid Shares and the Existing Partly Paid Shares in accordance with the Consolidation; (b) approve the Transaction; (c) approve the Capital Raising; (d) approve the issue of Options; (e) approve the change of name of the Company to "Emerald Oil & Gas NL"; (f) approve the Daytona Issue; (g) approve the issue of the Management Options; and (h) approve the issue of the Ventnor Options.
"SCH Business Rules"	means the SCH Business Rules as referred to in the Company's Constitution and which are now known as the ASTC Settlement Rules;
"Section"	means a section of this Prospectus;
"Share"	means an ordinary fully paid Share in the capital of the Company;
"Shareholder"	means a registered holder of Shares;
"Shareholder Offer"	means the issue of up to 416,666,667 Shares (before the Consolidation) at a price of \$0.0012 each to Pre-Existing Fully Paid Shareholders to raise up to \$500,000;
"Shareholder Offer Application Form"	means the personalised form so described which is attached to or accompanies this Prospectus;
"Shareholder Offer Closing Date"	means 5.00pm WST on 1 May 2006;
"Shareholder Options"	means up to 9,750,000 Options;
"Shareholder Option Issue"	means a one for one issue of free Options to be made to the Expanded Matrix Shareholders under the Prospectus which will be subject to any requirement by ASX for the Expanded Matrix Shareholders to enter into a restriction agreement in respect of any Options received. The Shareholder Option Issue will only occur if Completion occurs;

"Shareholder Offer Shares"	means up to 416,666,667 Shares (before the Consolidation) to be issued under the Shareholder Offer;
"Sponsoring Broker and Lead Manager"	means Montagu Stockbrokers Pty Ltd ACN 009 368 432;
"Tcf"	means one trillion (10 to the power of 12) cubic feet;
"Transaction"	means the acquisition of Emerald Gas and all associated transactions;
"Transaction Agreements"	means the Implementation Agreement and all agreements to be entered into to document the Transaction and all associated transactions;
"Transaction Costs"	means the estimated costs and expenses of implementing the Transaction;
"USA Prospects"	means Emerald Gas's interests in the tenements and projects located in the USA and outlined in Section 5.2;
"Vendors"	means holders of Emerald Gas Shares; and
"Ventnor Capital"	means Ventnor Capital Pty Ltd ACN 111 543 741;
"Ventnor Options"	means 1,500,000 Options each exercisable at 25 cents each on or before 28 February 2010 and otherwise on the terms and conditions outlined in Section 15.11; and
"WST"	means Western standard time.

References in this Prospectus to currency are, unless stated otherwise, to the currency of Australia.

Directors Responsibility Statement and Consent

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that no statements made by the Directors in this Prospectus are misleading or deceptive and that in respect of any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director and Proposed Director has consented to the lodgement of this Prospectus with the ASIC and its issue and has not withdrawn that consent.

This Prospectus has been signed on behalf of each Director and Proposed Director by Jeremy Shervington on 29 March 2006.



Jeremy Shervington - Director
Matrix Oil NL

Please read all instructions on reverse of this form

Share Registrars use only

Broker reference - stamp only

Broker code

Adviser code

MATRIX OIL NL (to be renamed Emerald Oil & Gas NL)
ACN 009 795 046

Number of Shares applied for at \$0.20 per Share

Total amount payable

A**B** A\$

Minimum 10,000 Shares and then multiples of 1,000 Shares
You may be allocated all of the Shares above or a lesser number

Cheque(s) to equal this amount

Full name details title, given name(s) (no initials) and surname or company name

Tax File Number(s)/ABN or exemption category

C**D**

Name of applicant 1

Applicant 1/company

Name of applicant 2 or account name

Applicant 2/trust

Name of applicant 3 or account name

Applicant 3/exemption

Full postal address

E

Number/street

Suburb/town

State

Postcode

Contact details

CHESS HIN (if applicable)

F**G**

Contact name

Daytime telephone number

Email address

Please fill out your cheque details and make your cheque payable to "Matrix Oil NL -Share Issue Account"

H

A\$

A\$

Drawer

Cheque number BSB number

Account number

Total Amount of cheque

I

Return of this Public Offer Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company.

I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to this Public Offer Application Form or a copy of this Public Offer Application Form or a direct derivative of this Public Offer Application Form, before applying for Shares.
- You should read the Prospectus dated 29 March 2006 carefully before completing this Public Offer Application Form. The Corporations Act prohibits any person from passing on this Public Offer Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

NO SIGNATURE IS REQUIRED

Guide to the Matrix Oil Public Offer Application Form

This Public Offer Application Form relates to the Offer of a maximum of 17,500,000 Shares in Matrix Oil NL at \$0.20 per Share pursuant to the Prospectus dated 29 March 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Public Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and a Public Offer Application Form, on request and without charge.

Please complete all relevant sections of this Public Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of this Public Application Form. Further particulars and the correct forms of registrable titles to use on this Public Application Form are contained below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. One free Option will be granted for each Share allotted.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the sum of \$0.20.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the company. Up to three Joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each Joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASTC, a wholly owned subsidiary of ASX. In CHES, the Company will operate an electronic CHES subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Application in respect of securities allotted.
- H** Please complete cheque details as requested: Make your cheque payable to "Matrix Oil NL–Share Issue Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- I** Before completing this Public Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging this Public Offer Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign this Public Offer Application Form.

Correct Forms of Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION TITLE	INCORRECT FORM OF REGISTRATION TITLE
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith < Peter Smith >	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Trusts Use trustee(s) name(s), do not use the name of the trust	Mrs Sue Smith < Sue Smith Family A/C >	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith < Est John Smith A/C >	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith < John Smith and Son A/C >	John Smith and Son

Lodgement of Applications

Return your completed Public Offer Application Form with cheque(s) attached to:

Montagu Stockbrokers Pty Ltd
PO Box 25005, St George's Terrace
Perth WA 6831

OR

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St George's Terrace Perth WA 6000

Public Offer Application Forms must be received no later than 5.00pm WST time on 18 May 2006.

Please read all instructions on reverse of this form

Share Registrars use only

Broker reference - stamp only

Broker code

Adviser code

MATRIX OIL NL (to be renamed Emerald Oil & Gas NL)
ACN 009 795 046

Number of Shares applied for at \$0.20 per Share

Total amount payable

A **B** A\$

Minimum 10,000 Shares and then multiples of 1,000 Shares
You may be allocated all of the Shares above or a lesser number

Cheque(s) to equal this amount

Full name details title, given name(s) (no initials) and surname or company name

Tax File Number(s)/ABN or exemption category

C **D**

Name of applicant 1

Applicant 1/company

Name of applicant 2 or account name

Applicant 2/trust

Name of applicant 3 or account name

Applicant 3/exemption

Full postal address

E

Number/street

Suburb/town

State

Postcode

Contact details

CHESS HIN (if applicable)

F **G**

Contact name

Daytime telephone number

Email address

Please fill out your cheque details and make your cheque payable to "Matrix Oil NL -Share Issue Account"

H <input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$

Drawer

Cheque number

BSB number

Account number

Total Amount of cheque

- I** Return of this Public Offer Application Form with your cheque for the Application Monies will constitute your offer to subscribe for Shares in the Company.
I/We declare that:
- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to this Public Offer Application Form or a copy of this Public Offer Application Form or a direct derivative of this Public Offer Application Form, before applying for Shares.
- You should read the Prospectus dated 29 March 2006 carefully before completing this Public Offer Application Form. The Corporations Act prohibits any person from passing on this Public Offer Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

NO SIGNATURE IS REQUIRED

Guide to the Matrix Oil Public Offer Application Form

This Public Offer Application Form relates to the Offer of a maximum of 17,500,000 Shares in Matrix Oil NL at \$0.20 per Share pursuant to the Prospectus dated 29 March 2006. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Public Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and a Public Offer Application Form, on request and without charge.

Please complete all relevant sections of this Public Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of this Public Application Form. Further particulars and the correct forms of registrable titles to use on this Public Application Form are contained below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. One free Option will be granted for each Share allotted.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the sum of \$0.20.
- C** Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the company. Up to three Joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHESS) participants should complete their name and address in the same format as that are presently registered in the CHESS system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each Joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHESS, operated by ASTC, a wholly owned subsidiary of ASX. In CHESS, the Company will operate an electronic CHESS subregister of securities holdings and an electronic issuer sponsored subregister of securities holdings. Together the two subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to Application in respect of securities allotted.
- H** Please complete cheque details as requested: Make your cheque payable to "Matrix Oil NL–Share Issue Account" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- I** Before completing this Public Offer Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging this Public Offer Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign this Public Offer Application Form.

Correct Forms of Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION TITLE	INCORRECT FORM OF REGISTRATION TITLE
Individual Use given names in full, not initials	Mr John Alfred Smith	J A Smith
Minor (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith < Peter Smith >	Peter Smith
Company Use company title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Trusts Use trustee(s) name(s), do not use the name of the trust	Mrs Sue Smith < Sue Smith Family A/C >	Sue Smith Family Trust
Deceased Estates Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith < Est John Smith A/C >	Estate of late John Smith
Partnerships Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith < John Smith and Son A/C >	John Smith and Son

Lodgement of Applications

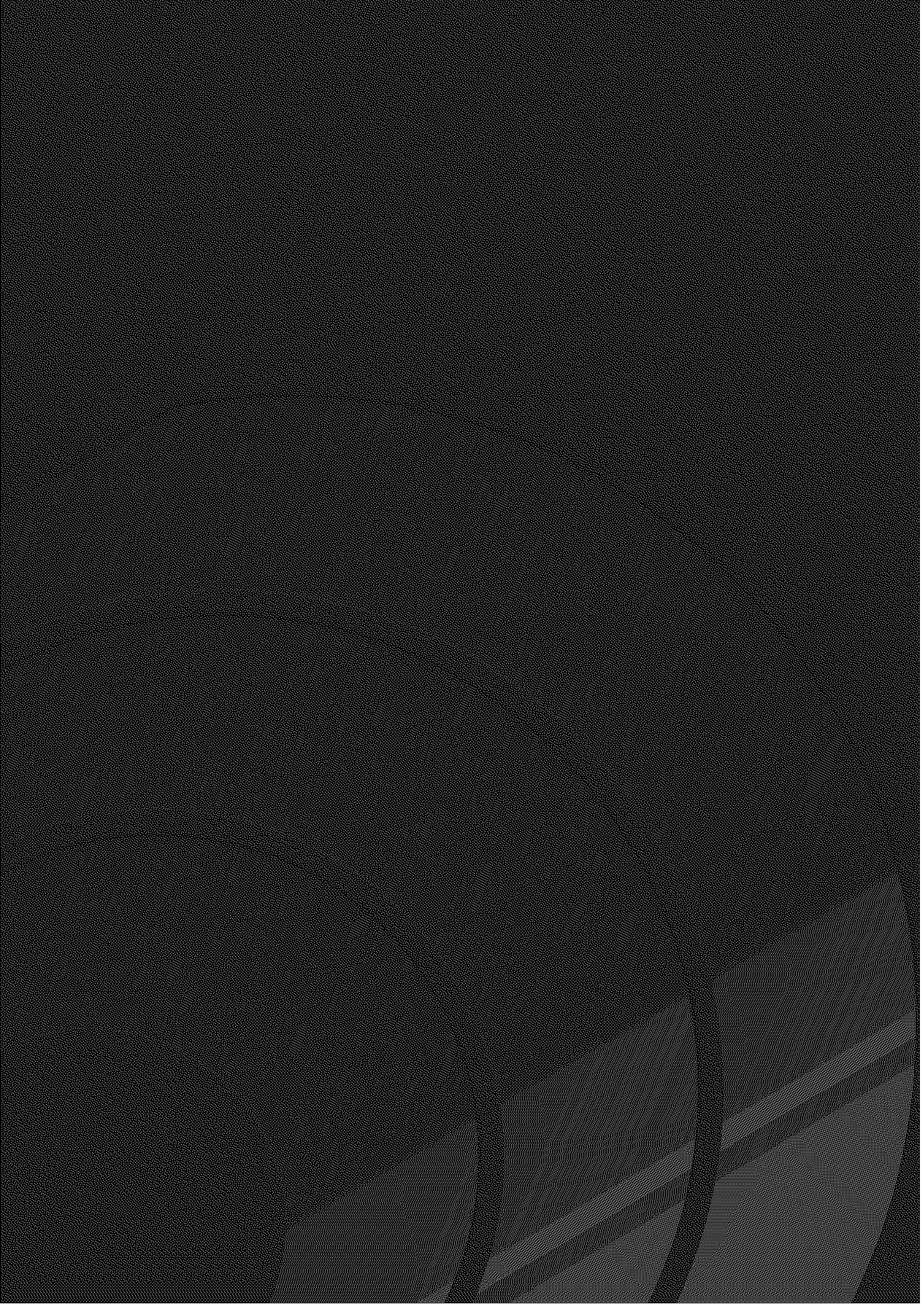
Return your completed Public Offer Application Form with cheque(s) attached to:

Montagu Stockbrokers Pty Ltd
PO Box 25005, St George's Terrace
Perth WA 6831

OR

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St George's Terrace Perth WA 6000

Public Offer Application Forms must be received no later than 5.00pm WST time on 18 May 2006.





OIL & GAS NL

52 Ord Street, West Perth, Western Australia 6005

Telephone +618 9482 0510

Facsimile + 618 9482 0505

Email info@emeraldoilandgas.com

www.emeraldoilandgas.com