

Emerald

OIL AND GAS NL

ACN 009 795 046

PROSPECTUS

For an Offer of up to 16,750,000 Shares at a price of 18 cents per Share to raise up to \$3.015 million together with one free attaching option for every two Shares offered

CORPORATE ADVISOR

CAPITAL INVESTMENT PARTNERS PTY LTD ACN 100 468 589

Important Notice

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. It is important and should be read in its entirety. If after reading this Prospectus you have any questions about the contents of this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Company's securities should be considered as speculative.

IMPORTANT NOTICE

This Prospectus is dated 24 May 2007. A copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the securities placed by this Prospectus to be listed for quotation on the ASX.

ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote any of the securities offered by this Prospectus is not to be taken in any way as an indication of the merits of Emerald.

Before deciding to invest in Emerald, you should read and understand the entire Prospectus and, in particular, in considering Emerald's prospects, you should consider the risk factors that could affect the financial performance of Emerald. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Emerald is undertaking oil and gas exploration and associated development and the risks are therefore significant.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus or has not been released to ASX without the authorisation of Emerald. Any information or representation not so contained or released may not be relied on as having been authorised by Emerald in connection with the Offer.

Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 5. All references to currency are to Australian dollars and all references to time are to Perth time, unless otherwise indicated.

Purpose and Nature of Prospectus

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act. This means that the Prospectus must contain all the information investors and their professional advisers would reasonably require to make an informed assessment of:

- (a) the effect of the Offer on the Company;
- (b) the rights and liabilities attaching to the securities placed; and
- (c) if the securities are options, the rights and liabilities attaching to both the options themselves and the underlying securities.

This Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Prospectus.

As a disclosing entity, the Company is subject to regular reporting and disclosure obligations and copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

Investors have the right to obtain a copy of any of the following documents:

- (a) the annual financial report of the Company for the year ended 30 June 2006;

Emerald Oil & Gas NL

- (b) the half-year financial report of the Company for the half year ended 31 December 2006; and
- (c) any continuous disclosure notices given by the Company after the lodgement of that annual financial report and before the lodgement of this Prospectus with ASIC.

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

The Company reserves the right to make offers of the securities referred to in this Prospectus prior to the issue of the Prospectus. Any such securities will be issued without disclosure to investors under section 708 of the Corporations Act to professional, institutional and sophisticated investors. The purpose of this Prospectus is to facilitate trading in those securities, in accordance with section 708A of the Corporations Act, within 12 months after their date of issue.

Enquiries

For further information in relation to the Offer, please call Emerald's Company Secretary on (08) 9482 0510.

TABLE OF CONTENTS

CORPORATE DIRECTORY	2
Section 1 DETAILS OF THE OFFER	4
Section 2 EFFECT OF THE OFFER ON THE COMPANY	10
Section 3 ADDITIONAL INFORMATION	13
Section 4 DIRECTORS AUTHORISATION	20
Section 5 KEY DEFINITIONS	21

CORPORATE DIRECTORY

DIRECTORS

Jeremy Shervington
John Hannaford
Robert Berven

COMPANY SECRETARY

John Hannaford

**REGISTERED AND
PRINCIPAL OFFICE**

Level 2
16 Altona Street
WEST PERTH WA 6005

Telephone: (08) 9482 0510
Facsimile: (08) 9482 0505
www.emeraldoilandgas.com

SOLICITORS

Jeremy Shervington
Level 1
2 Richardson Street
West Perth WA 6005

AUDITORS

ERNST & YOUNG
11 Mounts Bay Road
PERTH WA 6000

CORPORATE ADVISOR

CAPITAL INVESTMENT PARTNERS PTY LTD
Level 34
Exchange Plaza
2 The Esplanade
PERTH WA 6000

SHARE REGISTRY

SECURITY TRANSFER REGISTRARS PTY LTD
PO Box 535
APPLECROSS WA 6953
Telephone: (08) 9315 2333
Fax: (08) 9315 2233

ASX CODE

EMR – Ordinary Shares
EMRO – Listed Options

LETTER FROM THE CHAIRMAN

Dear Shareholder,

This prospectus outlines the details of an offer by Emerald Oil & Gas NL ("Emerald") to raise up to \$3.015 million (before costs of the Issue), to continue the Emerald drilling program in the USA and Australia.

The primary focus of the board and management of Emerald has been to participate in USA near-term production-type exploration opportunities.

A recent example has been our participation in the drilling of the NW Alice Prospect in the onshore southern Gulf Coast area of Texas. The RJ Hunter #1 well was recently completed for future gas production from the Yegua formation although mechanical difficulties have precluded a flow rate at this time. The Company's estimated potential resource of 100 Bcf gas is still considered to be valid. It is expected that the discovery will be followed up with 3-D seismic and further development drilling later this year.

Drilling operations have commenced at the Greenbush oil prospect in North Dakota, at the Egeberg #1 well, which spudded on 18 May 2007.

Main Energy the operator of the first well at Hope Prospect, Lavaca County, Texas, is planning an early June, 2007 spud date. The Company estimates that the Hope Prospect has potential reserves of 65 Bcf gas and 1-1.5 million barrels of condensate from the Wilcox and Roeder sand formations.

The Canning Basin drilling program at EP104/R1 project is estimated to begin early July 2007 by the operator ARC Energy NL, with two wells planned – a vertical well to test the 1.0 Tcf potential Valentine Prospect, followed by a deviated well to test the Stokes Bay target.

The proceeds of the Issue will provide working capital to assist in funding Emerald's USA and Canning Basin activities.

My fellow directors and I would welcome your participation in the Issue.



Jeremy Shervington
Chairman

Emerald Oil & Gas NL

Section 1 DETAILS OF THE OFFER

1.1 Summary of the Offer

Offer price per Share	18 cents per Share
Number of Shares offered	16,750,000*
Number of Options offered	8,375,000*
Amount to be raised	\$3,015,000*

Total Shares on issue after the Offer	62,362,548*
Market capitalisation at Offer price	\$11,225,259*

* The issue of 12,750,000 Shares together with one free attaching Option for every two of those Shares (6,375,000 Options) is subject to and conditional upon Shareholders approving the relevant resolution being put at a General Meeting of Shareholders to be held in June 2007. In the event that Shareholder approval is not obtained, the Offer will comprise:

Offer price per Share	18 cents per Share
Number of Shares offered	4,000,000
Number of Options offered	2,000,000
Amount to be raised	\$720,000

The Offer will be made by way of private placement at the discretion of the Directors. The Directors anticipate that the Offer will only be made to professional, institutional or sophisticated investors.

The Directors may make offers of the securities referred to in this Prospectus prior to the issue of the Prospectus.

Emerald Oil & Gas NL

1.2 Application of the Offer Funds

The funds raised of \$3,015,000 from the Offer will be broadly applied as follows:

Use of Funds (c)	\$ AUD
- NW Alice Project, (South Texas, USA) – Further exploration activities including acquisition of 3D Seismic data, leasing and further drilling (a)	550,000
- Greenbush (Nth Dakota, USA) – Drilling programme (a) (b)	500,000
- Hope Prospect (Sth Texas, USA) - drilling first well (a)	300,000
- EP104 /R1 Project (Canning basin, WA) (a)	
- Valentine well	600,000
- Stokes Bay well	500,000
- Working Capital	359,480
- Estimated costs of the Issue	205,520
	<hr/>
Total funds to be expended (c)	<u>\$ 3,015,000</u>

- (a) *These costs are estimates only. Actual costs will be determined by actual project circumstances, the budget determined by the operator of the project and whether the Company retains its paying interest through drilling programs. In the event of exploration success requiring development expenditure further funds may be required.*
- (b) *The Egeberg#1 well at the Greenbush project spudded on the 18 May 2007. It is likely that the well will reach target depth during the currency of this Prospectus. The outcome of this well is uncertain and will not be known for at least 7 days from the date of this Prospectus. The Company is unable to make any projections as to the outcome of this well and no projections have been made as to potential cashflow accruing from development of this well, if any.*
- (c) *In the event that Shareholders do not approve the relevant resolution being put at a General Meeting of Shareholders to be held in June 2007, the total funds raised from the Offer will be \$720,000. After taking into account the estimated costs of the Issue of \$63,660, a total of \$656,340 will be available to the Company and will be allocated to general working capital to be applied to the Company's projects from time to time as determined in the Board's absolute discretion.*

1.3 Details of the Offer

The Offer comprises 16,750,000 Shares at an issue price of \$0.18 per Share together with one free attaching Option for every two Shares issued to raise \$3.015 million before expenses of the Issue. The free attaching Options issued under the Offer have an exercise price of 20 cents each and an expiry date of 31 May 2008 and are otherwise subject to the terms and conditions described in Section 3.5.

All Shares issued under the Offer will rank equally in all respects with Existing Shares. The rights and liabilities attaching to Shares are described in Section 3.4.

1.4 Corporate Advisor, Minimum Subscription and Oversubscription

Capital Investment Partners Pty Ltd has agreed to act as Corporate Advisor to the Company in connection with the Offer for which they will receive a corporate advisory fee of 6% in respect of funds raised under the Offer. Further details of the fees to be paid to the Corporate Advisor are summarised in Section 3.3.

The Offer is not underwritten.

There is no minimum subscription.

Oversubscriptions will not be accepted.

1.5 Indicative Dates

- Prospectus lodged with ASIC	24 May 2007
- Offer Opening Date	24 May 2007
- Offer Closing Date	31 May 2007
- Allotment of 4,000,000 Shares and 2,000,000 free attaching Options (anticipated)	31 May 2007
- Expected commencement of trading on ASX for initial allotment first tranche of 4,000,000 Shares and 2,000,000 free attaching Options	4 June 2007
- General Meeting to approve the Issue	25 June 2007
- Expected allotment of remaining 12,750,000 Shares and the 6,375,000 free attaching Options*	28 June 2007
- Expected commencement of trading on ASX for subsequent allotment of 12,750,000 Shares and the 6,375,000 free attaching Options*	3 July 2007

* The issue of 12,750,000 Shares together with the one free attaching Option for every two Shares issued is subject to and conditional upon Shareholders approving the relevant resolution being put at a General Meeting of Shareholders to be held in June 2007. In the event that Shareholder approval is not obtained, these Shares and Options will not be allotted.

The above dates are indicative only and may vary. The Company reserves the right to vary the opening and closing dates of the Offer without prior notice. Applicants are encouraged to apply as soon as possible after the Offer opens as the Offer may close earlier than the date specified above. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares and Options to successful Applicants.

1.6 Investment Risks

Investors should be aware that there are risks associated with any investment in the stock market. In addition, there are a number of risk factors specific to investing in the Company, the resource, mining and exploration industry in which the Company operates and the general business environment.

A description of the risks associated with the Company's business is set out in section 13 of the IPO Prospectus.

1.7 Application

An Application for securities under this Prospectus can only be made on an Application Form which accompanies a paper copy of this Prospectus.

Applicants may apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$1,800. Applicants requiring additional Shares must apply for Shares in multiples of 1,000 Shares (equivalent to \$200) thereafter.

Applications must be accompanied by payment in full in Australian currency of 18 cents for each Share applied for. Payment must be by way of direct debit or cheque drawn on and payable on an Australian bank and should be made payable to "**Emerald Oil & Gas NL – Placement Account**" and crossed 'Not Negotiable'.

Completed Application Forms and accompanying cheques or bank drafts should be delivered or posted to the following address to reach that address before the Closing Date:

Capital Investment Partners Pty Ltd
Level 34, Exchange Plaza
2 The Esplanade
Perth WA 6000
AUSTRALIA

No brokerage or stamp duty is payable by Applicants in respect of their Applications for Shares under this Prospectus. The Company will be paying a commission of 6% to the Corporate Advisor and the Corporate Advisor may elect to pass this commission on to Applicants.

1.8 Options Offer

For every two Shares issued under the Offer, one free attaching Option will be issued to successful Applicants. The free attaching Options have an exercise price of 20 cents and an expiry date of 31 May 2008; the terms and conditions if these Options are listed in Section 3.5.

1.9 Allotment

The Offer will be allotted in two tranches as follows:

- (a) in respect of 4,000,000 Shares and 2,000,000 free attaching Options, the Company will proceed to allocate and allot the relevant Shares and Options as soon as possible after the closing date; and
- (b) in respect of the remaining 12,750,000 Shares and 6,375,000 free attaching Options, the issue of these securities is subject to and conditional upon Shareholders approving the relevant resolution being put at the General Meeting of Shareholders, and the Company will proceed to allocate and allot the relevant Shares and Options as soon as possible after the General Meeting. In the event that Shareholder approval is not obtained, these Shares and Options will not be allotted or issued, and Application moneys will be repaid to Applicants.

Each Applicant will receive a pro rata allocation of Shares and Options under each tranche.

The acceptance of Applications and the allocation of Shares and Options are at the discretion of the Directors of the Company. The Company reserves the right not to allocate or allot all or any Shares and Options under the Offer.

No Shares and Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

Application money 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 moneys (including those which do not result in allotment of Shares) will be retained by the Company.

1.10 Quotation of Securities on ASX

Within seven (7) days after the date of issue of this Prospectus, the Company will apply to have the Shares and Options offered admitted to quotation on ASX. If approval for the quotation of the Shares and Options is not granted by ASX within three months after the date of this Prospectus, the Company will not issue any Shares or Options and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation of the Shares or Options is not to be taken in any way as an indication of the merits of the Company or of the Shares and Options now placed.

1.11 CHESS

The Company participates 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.

1.12 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 or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

1.13 Market price of Shares

The Company's securities were reinstated to official quotation by ASX on 30 June 2006.

The highest and lowest market prices of the Company's Shares on ASX during the period from 30 June 2006 to the date immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$0.36	12 April, 2007
Lowest:	\$0.08	29 Sept, 2006

The volume weighted average sale price on ASX of the Company's Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC was \$0.2641.

The latest available closing market sale price of the Company's Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.22 on 24 May 2007.

1.14 Market price of Options

The highest and lowest market prices of the Company's Options on ASX during the period from 30 June 2006 to the date immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest:	\$0.19	16 April, 2007
Lowest:	\$0.018	31 October, 2006

The volume weighted average sale price on ASX of the Company's Options during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC was \$0.1332.

The latest available closing market sale price of the Company's Options on ASX prior to the date of lodgement of this Prospectus with ASIC was \$0.115 on 24 May 2007.

1.15 Privacy Act

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application 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 by the Applicant 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, ASIC and other regulatory authorities.

Section 2 EFFECT OF THE OFFER ON THE COMPANY

2.1 Capital Structure

The capital structure of the Company following the completion of the Offer is summarised below (assuming that all Existing Options are not exercised):

Number of Shares
45,612,548 Existing Shares
16,750,000 Shares to be issued pursuant to Placement*
62,362,548

Number of Listed Options**	Exercise Price
27,237,451 Expiring 31 May 2008	\$0.20
8,375,000 Options to be issued pursuant to the Issue*	
35,612,451	

Number of Unlisted Options	Exercise Price
661,638 Expiring on 23 January 2011 (Unlisted)	\$0.1768
2,000,000 Expiring on 31 December 2008 (Unlisted)	\$0.25
2,000,000 Expiring on 31 December 2009 (Unlisted)	\$0.30
1,500,000 Expiring on 25 February 2010 (Unlisted)	\$0.25
325,000 Expiring on 31 December 2009 (Unlisted)	\$0.25
6,486,638	

* The issue of 12,750,000 Shares together with one free attaching Option for every two Shares issued is subject to and conditional upon Shareholders approving the relevant resolution being put at a General Meeting of Shareholders to be held in June 2007. In the event that Shareholder approval is not obtained, these Shares and Options will not be issued.

** This assumes that on completion of the offer no Options have been exercised.

2.2 Financial Position

Set out below is an unaudited proforma Consolidated Balance Sheet of the Company as at 31 December 2006 taking into account the effect of the Offer. It is based on the audit reviewed balance sheet of the Company as at 31 December 2006. The proforma Consolidated Balance Sheet illustrates the effect of the Offer as if the issue of Shares and Options under the Offer had occurred on 31 December 2006 and on the basis that all 16,750,000 Shares and attaching Options were issued.

Emerald Oil & Gas NL

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

The unaudited proforma Consolidated Balance Sheet of the Company is based on the assumptions set out in the notes.

PROFORMA BALANCE SHEET

	Audit Reviewed 31 Dec 06 \$	Notes	Unaudited Proforma 31 Dec 06 \$
CURRENT ASSETS			
Cash assets*	2,729,161	1	4,124,865
Trade and Other Receivables	130,673		130,673
TOTAL CURRENT ASSETS	<u>2,859,834</u>		<u>4,255,538</u>
NON-CURRENT ASSETS			
Exploration and evaluation costs	850,435	2	2,106,821
TOTAL NON-CURRENT ASSETS	<u>850,435</u>		<u>2,106,821</u>
TOTAL ASSETS	<u>3,710,269</u>		<u>6,362,359</u>
CURRENT LIABILITIES			
Payables	270,922		270,922
TOTAL CURRENT LIABILITIES	<u>270,922</u>		<u>270,922</u>
TOTAL LIABILITIES	<u>270,922</u>		<u>270,922</u>
NET ASSETS	<u>3,439,347</u>		<u>6,091,437</u>
EQUITY			
Contributed equity*	4,373,539		7,173,019
Reserves	236,324		236,324
Retained profits (Accumulated losses)	(1,170,516)	3	(1,317,906)
TOTAL EQUITY	<u>3,439,347</u>		<u>6,091,437</u>

* This assumes that on completion of the offer no Options have been exercised.

NOTES TO THE PROFORMA BALANCE SHEET

Note 1 Reconciliation of Cash at Bank

	\$
Cash at Bank 31 December 2006	2,729,161
Expenditure Jan to April 2007	(1,086,386)
Estimated Outflows May 2007	(317,390)
Funds to be raised from the Offer	3,015,000
Estimated costs of the Issue	(215,520)
Proforma Cash on Hand	<u>4,124,865</u>

Note 2 Exploration properties

Exploration Expenditure 31 December 2006	850,435
Capitalised Expenditure Jan to April 2007	1,086,386
Estimated Outflows on Exploration May 2007	170,000
Proforma Exploration Expenditure	<u>2,106,821</u>

Note 3 Accumulated losses

Accumulated losses 31 December 2006	(1,170,516)
Estimated loss January to May 2007	(147,390)
Proforma Accumulated losses	<u>(1,317,906)</u>

Section 3 ADDITIONAL INFORMATION

3.1 Transaction Specific Prospectus

The Company is a disclosing entity under the Corporations Act and the Listing Rules and as such is subject to regular reporting and disclosure obligations.

This Prospectus is issued under section 713 of the Corporations Act. That section sets out specific content rules applying to a prospectus for an offer of continuously quoted securities of a disclosing entity.

The Company believes, after making reasonable enquiries, that its securities qualify as continuously quoted securities for the purpose of section 713 and that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months preceding the date of issue of this Prospectus which required the Company to notify ASX of information about specified matters or events as they arise for the purpose of ASX making that information available to the market.

As at the date of this Prospectus, no information has been excluded from a continuous disclosure notice in reliance on the Listing Rules.

ASIC has not made any determination which would prevent the Company relying on section 713 of the Corporations Act for the issue of this Prospectus.

3.2 Continuous Disclosure Notices

The following continuous disclosure notices, which have been given by the Company since the lodgment of the Company's most recent annual financial report:

Date	Description of Announcement
31/10/2006	First Quarter Activities & Cashflow Reports
13/11/2006	PCL's ann: EP104 Update
14/11/2006	ARQ's ann: Acquisition of Additional Canning Basin Areas
14/11/2006	EGO's ann: Completes Farmout of EP104/R1 and L98-1
17/11/2006	Partly Paid Shares cancellation notice
28/11/2006	AGM Presentation
28/11/2006	Results of AGM
28/11/2006	Projects Update
5/12/2006	Appendix 3B
8/12/2006	Appendix 3B
13/12/2006	Response to ASX Query re Price & Volume
18/12/2006	Notice of General Meeting
15/01/2007	Appendix 3B
18/01/2007	EGM Results
31/01/2007	Second Quarter Activities & Cashflow Reports
2/02/2007	Amended Second Quarter Cashflow Report
21/02/2007	Small Share Parcel Sale Facility Update
22/02/2007	Pandura Update
28/02/2007	North West Alice Update Announcement
12/03/2007	Half Year Accounts
13/03/2007	NW Alice Prospect Spuds - Jim Wells County Texas
14/03/2007	Small Share Parcel Sale Facility Completed
14/03/2007	Northwest Alice Depth correction
20/03/2007	Drilling Update - NW Alice project
27/03/2007	Drilling update
29/03/2007	Trading Halt
02/04/2007	Drilling Update - NW Alice project
5/04/2007	Glamour Girl Prospect Prepares to Spud Initial Well

Date	Description of Announcement
10/04/2007	Glamour Girl Prospect Drilling Update
13/04/2007	Change of Director's Interest Notice
17/04/2007	Trading Halt
19/04/2007	Drilling Update
24/04/2007	Drilling Update
24/04/2007	Drilling Update – Correction
26/04/2007	Trading Halt
30/04/2007	New USA project - Hope Prospect
30/04/2007	Drilling update USA
30/04/2007	Third Quarter Activities & Cashflow Reports
4/05/2007	NW Alice Project Update
7/05/2007	Change of Director's Interest Notice x2
14/05/2007	Greenbush Project Update
17/05/2007	Trading Halt
21/05/2007	Placement
22/05/2007	Greenbush drilling update
22/05/2007	EP104 interests
22/05/2007	ARQ: Additional interest in EP104 JV

3.3 Corporate Advisor Agreement

Under a letter agreement dated 8 May 2007 (**Corporate Advisor Agreement**) as varied by letters on 11 and 16 May 2007, Capital Investment Partners Pty Ltd ("CIP") has been engaged to act as Corporate Advisor to the Company in connection with the Offer.

CIP is entitled to receive from the Company a fee comprising of a management fee of 2% of the total funds raised under the Offer as well as a share placement fee of 4% on the total funds raised under the Offer, being a total of 6% of the funds raised pursuant to the Offer. CIP is also entitled to be reimbursed for all reasonable out of pocket expenses incurred in carrying out its engagement.

It is a condition of CIP's participation in the engagement that the Company has agreed to indemnify and keep indemnified CIP, its directors, agents and staff against all liabilities, obligations, losses, damages, fees or expenses of any kind in any way relating to the Offer.

CIP may terminate the Corporate Advisor Agreement if the Company commits or allows to be committed a material breach of any of the terms of the Corporate Advisor Agreement, or if any warranty or representation given or made by the Company is not complied with or proves to be untrue in any respect.

3.4 Rights Attaching to 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:

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

3.5 Rights Attaching to Options

The Options will upon issue be subject to the same terms and conditions as the Company's Existing 20 Cent Options. A summary of these terms and conditions is set out below:

Emerald Oil & Gas NL

- (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) 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; and

- (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:

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

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

3.6 Interests, Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) director of the Company; or
- (b) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this Prospectus; or
- (c) promoter of the Company; or
- (d) Corporate Advisor to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer;

has, or had within 2 years before the date of this Prospectus, any interest in: (i) the formation or promotion of the Company; (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or (iii) the Offer.

No amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any of the above persons as an inducement to become or to qualify him as a director of the Company or for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Emerald Oil & Gas NL

3.7 Holdings of Directors

As at the date of this Prospectus the Directors have beneficial interests in Existing Shares and Existing Options as set out in the table below:

Director	Ordinary Shares	Listed Options Ex \$0.20 31 May 08	Unlisted Options			
			Ex \$0.1768 23 Jan 11	Ex \$0.25 31 Dec 08	Ex \$0.30 31 Dec 09	Ex \$0.25 28 Feb 10
Jeremy Shervington	1,437,982	1,337,982	367,577	600,000	600,000	-
John Hannaford	2,649,613	100,000	-	750,000	750,000	1,500,000
Robert Berven	3,139,054	140,000	-	500,000	500,000	-

3.8 Remuneration of Directors

During the 2 years prior to the date of this Prospectus, the Directors have been paid and are due the remuneration set out in the table below for their services as Directors:

Director	Remuneration		
	01 Jan 05 – 30 Jun 06	01 Jul 06 – 24 May 07	Total
Jeremy Shervington	64,740	32,000	96,740
John Hannaford	128,425 *	108,000**	236,425
Robert Berven	41,950 *	51,890	93,840
			417,005

* Mr John Hannaford and Mr Robert Berven were each appointed as a director of the Company on 26 June 2006. The amounts set out above relate to fees paid to Mr Hannaford and Mr Berven by Emerald Gas Limited ACN 112 283 520, which became a wholly owned subsidiary of the Company on 26 June 2006. These fees related to the provision of consulting services as financial director and director. In addition to the amounts set out above, Ventnor Capital Pty Ltd ACN 111 543 741 provided consultancy services to Emerald Gas Limited during 2005 to a value of \$15,000. In consideration for these consultancy services, nominees of Ventnor Capital Pty Ltd were issued 1,500,000 shares in Emerald Gas Limited ACN 112 283 520 and Mr John Hannaford had a beneficial interest in 750,000 of these shares. As approved by Shareholders on 31 May 2006, these shares were acquired by the Company on 26 June 2006 and as consideration, the Company issued 776,471 Shares. These Shares are included in the table in Section 3.7 in the relevant interest in Existing Shares held by Mr Hannaford.

** These payments were made to Ventnor Capital Pty Ltd, a company associated with John Hannaford. The payments relate to services as Executive Director Finance and Company Secretary. These services were provided on normal commercial terms and conditions.

3.9 Interests of Advisers

Capital Investment Partners Pty Ltd is acting as Corporate Advisor and for this is being paid a brokerage fee of up to \$180,900 (plus GST) (6% of the proceeds of the Issue). Capital Investment Partners Pty Ltd is also entitled to reimbursement of out of pocket expenses. Capital Investment Partners Pty Ltd has not received any fees for the financial year ended 30 June 2006.

Jeremy Shervington will be paid approximately \$12,000 (plus GST) for assistance in

preparing this Prospectus. Firms in which Mr Shervington is or was a principal have been paid fees of approximately \$128,465 for other work undertaken for the Company during the 2 years before the date of this Prospectus. The firm may receive fees for other legal services provided to the Company from time to time, which will be charged at commercial rates.

3.10 Consents

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Ernst & Young; in the capacity of Auditor;
- Capital Investment Partners Pty Ltd, in the capacity of Corporate Advisor;
- Jeremy Shervington, in the capacity of Solicitor to the Company; and
- Security Transfer Registrars Pty Ltd, in the capacity of Share Registry to the Company.

Ernst & Young has given its written consent to the inclusion of the reviewed consolidated Balance Sheet of the Company as at 31 December 2006, and to all statements referring to the Balance Sheet as at 31 December 2006 in the form and context in which they are included, and not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Ernst & Young:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to above;
- (b) has not authorised or caused the issue of this prospectus and any electronic version of this Prospectus; and
- (c) 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 Ernst & Young as specified above.

Each of Ernst & Young, Capital Investment Partners Pty Ltd, Jeremy Shervington, and Security Transfer Registrars Pty Ltd:

- has not authorised or caused the issue of this Prospectus and any electronic version of this prospectus;
- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- 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 except where expressly stated above; and
- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

3.11 Expenses of the Offer

The estimated expenses of the Offer, assuming Shareholders approve the resolution to be approved at the General Meeting and \$3.015 million is raised through the issue of 16,750,000 Shares and 8,375,000 free attaching Options, are:

Emerald Oil & Gas NL

	\$
Advisory Fees & Commissions	180,900
ASIC fees	2,010
ASX fees	8,510
Advisers costs and other expenses	<u>24,100</u>
Total Estimated Costs	<u>215,520</u>

If Shareholders do not approve the resolution to be approved at the General Meeting and \$720,000 is raised through the issue of 4,000,000 Shares and one free attaching Option for every Share issued, the estimated expenses of the Offer are:

	\$
Advisory Fees & Commissions	43,200
ASIC fees	2,010
ASX fees	3,450
Advisers costs and other expenses	<u>25,000</u>
Total Estimated Costs	<u>73,660</u>


Section 4 DIRECTORS AUTHORISATION

The Directors report that, in their opinion, there have not been any circumstances that have materially affected or will materially affect the value of the assets of the Company, except as disclosed in this Prospectus.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and in that respect to 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 having given their consent to the statements being included in this Prospectus in the form and context in which they appear and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director of Emerald has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

This Prospectus is issued by Emerald. The issue of this Prospectus has been authorised by the Directors and this Prospectus has been signed by Jeremy Shervington on behalf of the Directors pursuant to a Resolution of the Board.



Jeremy Shervington
Chairman
24 May, 2007

Section 5 KEY DEFINITIONS

"Applicant" means a person who submits a valid Application Form pursuant to this Prospectus.

"Application Form" means an application form attached to a paper copy of this Prospectus.

"ASIC" means Australian Securities & Investments Commission.

"ASTC" means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

"ASTC Settlement Rules" means the operating rules of ASTC.

"ASX" means ASX Limited ACN 008 624 691.

"Business Day" means a day on which trading takes place on the stock market of ASX.

"CHESS" means ASX Clearing House Electronic Sub-registry System.

"CIP" means the Corporate Advisor.

"Company" and **"Emerald"** means Emerald Oil & Gas NL ACN 009 795 046 and where relevant, its subsidiary companies.

"Constitution" means the Company's Constitution as at the date of this Prospectus.

"Corporate Advisor" means Capital Investment Partners Pty Ltd ACN 100 468 589.

"Corporate Advisor Agreement" means the letter agreement dated on or about the same date as this Prospectus, between the Corporate Advisor and the Company.

"Corporations Act" means the Corporations Act 2001 (Commonwealth).

"Directors" means the directors of the Company.

"Dollar" or **\$** means Australian dollars.

"Emerald" means Emerald Oil & Gas NL ACN 009 795 046.

"Existing 20 Cent Options" means the 27,237,451 Options on issue at the date of this Prospectus each exercisable at 20 cents each on or before 31 May 2008 and otherwise on the terms and conditions outlined in Section 3.5.

"Existing Options" means the 33,724,089 Options on issue at the date of this Prospectus, including the Existing 20 Cent Options.

"Existing Shares" means the 45,612,548 Shares on issue at the date of this Prospectus.

"General Meeting" means the general meeting of Shareholders of the Company to be held in June 2007 for the purpose of considering a resolution to approve the issue of 12,750,000 Shares at a price of 18 cents each together with one free attaching Option for every two Shares issued for the purposes of Listing Rule 7.1 and for all other purposes.

"IPO Prospectus" means the prospectus lodged by the Company with ASIC on 29 March 2006.

"Issue" means the issue of Securities under this Prospectus.

"Listing Rules" or **"ASX Listing Rules"** means the Listing Rules of the ASX.

"Offer" means the offer of Shares together with one free attaching Option for every two Shares offered made pursuant to this Prospectus.

"Option" means an option to acquire a Share.

"Prospectus" means the prospectus constituted by this document.

"SCH Business Rules" means the business rules of the securities clearing house which operates CHESS.

"Securities" means the Shares and Options to be issued under the Issue.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means the holder of a Share.

"WST" means Western Standard Time.