Emerald

OIL & GAS NL

Interim Financial Report

for the half year ended 31 December 2008

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This half year financial report covers the consolidated entity consisting of Emerald Oil & Gas NL and its subsidiaries. The financial report is presented in the Australian currency.

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

Emerald Oil & Gas NL
Level 2
16 Altona Street
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 2 to 4, which does not form part of this financial report.

Corporate Information

Directors:

Jeremy Shervington
Chairman

John Hannaford
Executive Director – Finance

Robert Berven
Executive Director - Technical

Morgan Barron
Company Secretary

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

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

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

Solicitors - Perth:
Jeremy Shervington
52 Ord Street
WEST PERTH WA 6005

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

Share Registry:
Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Telephone (within Australia) (08) 9315 2333

Directors' Report

Your Directors have pleasure in submitting their report on the consolidated entity for the "Group"; being the company and its controlled entities, for the half-year ended 31 December 2008.

DIRECTORS

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

Jeremy D Shervington	Non Executive Chairman
Robert Berven	Executive Director – Technical
John Hannaford	Executive Director - Finance

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

PRINCIPAL ACTIVITIES

The principal activities of Emerald Oil & Gas NL for the period were the exploration and evaluation of oil and gas resources in the USA and Australia. There were no changes to the principal activities during the period.

RESULTS

The net loss of the Group for the half-year ended 31 December 2008 after income tax amounted to $1,406,500 (2007:$2,228,867).

OPERATING AND FINANCIAL REVIEW

<u>USA Projects</u>
During the period Emerald progressed its Appalachian Basin Gas Development Project with the current status as at the date of this report:

- 6 gas wells in Magoffin County, Kentucky awaiting frac.
- 2 gas wells in Wayne County, West Virginia awaiting frac.
- Memorandum of Understanding ("MOU") to acquire a 25% interest in 50 existing wells in Magoffin County and associated 35 mile pipeline (25%) and Amine plant (50%).
- MOU to acquire an interest in a 10 mile pipeline (12.5%) and connection tap (25%) in Wayne County, West Virginia to secure gas trunkline access.
- Operator secured gas marketing agreement in both Kentucky and West Virginia to enable firm sales once wells fracced.

Emerald is currently negotiating the acquisition of interests in additional wells in West Virginia to augment gas production pressures to enable sales through the El Paso trunkline.
A review of the wells in Magoffin County by Emerald and the operator, P&J Resources during the quarter concluded that the most efficient path to production would be to case and frac the 'sweet gas' zones which could then be put onto production into the new gas sales contract with United Energy. This would ensure no contamination of gas with H_2S. Emerald and P&J Resources have committed to a 6 well frac and completion program due to start in Feb 2009, weather permitting.

Extreme weather conditions in the area have resulted in delays in completing the Chiarenzelli well in West Virginia and in completion of pipeline infrastructure.

Directors' Report

The Operator of the Greenbush Project reached agreement, during the period, to farm-out the project to Encore Operating LP. Emerald was reimbursed by Encore for previous sunk costs in the project to the value of approximately $1.3 million. The Company also retains a free carried 3.75% working interest after payout in the project. Encore is currently drilling the Brekhus 2-14H horizontal Bakken well. Current depth of 8¾ inch hole is 7,636 feet.

<u>Australia Projects</u>
During the period the EP104 JV Partners completed a testing programme involving an initial circulation of fresh water and swabbing of the wellbore before using nitrogen in an attempt to lift the heavy drilling fluids above the Nullara Formation carbonate reservoir and reduce the pressure on the formation. The test programme was designed to induce flow of formation fluids from the cavernous Nullara Formation reservoir.

The swabbing and nitrogen lifting operations recovered an additional 190 barrels ("bbls") of drilling fluid. This brings the total drilling fluids recovered to 3,834 bbls and represents some 38% of the estimated 10,000 bbls of drilling fluid lost to the formation during drilling operations.

At the commencement of the testing programme the well head pressure was noted to be 1,200 psi. On opening of the well to the flare pit gas was bled down and the well flowed an estimated 15 bbls of drilling mud. At the conclusion of the test programme, fluid samples were taken, with no definitive formation fluids recovered from the Nullara Formation.

The EP104/R1 Joint Venture parties are awaiting pressure results data before determining any future testing of the wellbore.

During the quarter Emerald announced that it has been notified by the WA Department of Industry and Resources (DoIR) that it has been awarded exploration permits EP463 and TP24 over the Lacapede Islands, and WA-419-P offshore Canning Basin WA. The award of these tenements further consolidates Emerald's strategic holdings along the structurally significant Pinnacle Fault zone and its projection offshore.

The net loss for the period after tax was $1,406,500 (2007:$ 2,228,867).

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company or consolidated entity, the results of those operations or the state of affairs of the company and consolidated entity in subsequent financial years.

Likely Developments

There are no likely developments in the operations of the company that were not finalised at the date of this report. Further information as to likely developments in the operations of the consolidated entity and company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the consolidated entity.

Directors' Report

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the half year ended 31 December 2008 has been received and is set out on page 5.

AUDITOR

Ernst & Young remain in office as at the date of this report.

Signed in accordance with a resolution of the Directors.

J. Hannaford
Executive Director - Finance

Perth
10 March 2009

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Auditor's independence declaration to the Directors of Emerald Oil & Gas NL

In relation to our review of the financial report of Emerald Oil & Gas NL for the half-year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

J C Palmer
Partner
Perth
10 March 2009

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CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $
Interest revenue		164,124	69,637
Financial administration, insurance and compliance costs		(213,032)	(117,951)
Consulting and contracting expenses		(228,340)	(144,865)
General administration expenses		(206,005)	(86,604)
Impairment of exploration and evaluation costs	6	(923,247)	(1,949,084)
Loss before income tax expense		(1,406,500)	(2,228,867)
Income tax expense		-	-
Loss for the period		(1,406,500)	(2,228,867)
Basic earnings (loss) per share			
- cents per share		(1.218)	(3.578)
Diluted earnings (loss) per share			
- cents per share		(1.218)	(3.578)

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Notes	Consolidated 31 December 2008 $	Consolidated 30 June 2008 $
ASSETS			
Current assets			
Cash and cash equivalents	5	4,970,480	5,407,348
Trade and other receivables		66,147	109,121
Other assets	6	115,009	-
Total current assets		**5,151,636**	**5,516,469**
Non-current assets			
Exploration and evaluation costs	7	3,404,480	4,394,937
Total non-current assets		**3,404,480**	**4,394,937**
TOTAL ASSETS		**8,556,116**	**9,911,406**
LIABILITIES			
Current liabilities			
Trade and other payables		229,304	188,894
Total current liabilities		**229,304**	**188,894**
TOTAL LIABILITIES		**229,304**	**188,894**
NET ASSETS		**8,326,812**	**9,722,512**
EQUITY			
Contributed equity	8	15,001,822	15,001,822
Reserves	8	385,444	374,644
Accumulated losses		(7,060,454)	(5,653,954)
TOTAL EQUITY		**8,326,812**	**9,722,512**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

2008 (CONSOLIDATED)

	Contributed Equity	Options Reserve	Accumulated losses	Total
	$	$	$	$
Total equity at 1 July 2008	15,001,822	374,644	(5,653,954)	9,722,512
Loss for the period	-	-	(1,406,500)	(1,406,500)
Options issued during the period, net of costs	-	10,800	-	10,800
Total equity at 31 December 2008	15,001,822	385,444	(7,060,454)	8,326,812

2007 (CONSOLIDATED)

	Contributed Equity	Options Reserve	Accumulated losses	Total
	$	$	$	$
Total equity at 1 July 2007	5,002,891	374,644	(2,490,333)	2,887,202
Loss for the period	-		(2,228,867)	(2,228,867)
Options excercised	22	-	-	22
Shares issued during the period, net of costs	2,156,828	-	-	2,156,828
Cancellation of share capital	(40,000)	-	-	(40,000)
Total equity at 31 December 2007	7,119,741	374,644	(4,719,200)	2,755,185

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

CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $
Cash flows from operating activities			
Receipts from customers		-	4,768
Interest received		132,869	69,637
Payments to suppliers and employees		(521,938)	(359,364)
Net cash (used in) operating activities		**(389,069)**	**(284,959)**
Cash flows from investing activities			
Reimbursement of exploration expenditure		1,298,113	-
Exploration expenditure		(1,230,903)	(3,021,314)
Deposit paid for property, plant & equipment		(115,009)	-
Net cash (used in) investing activities		**(47,799)**	**(3,021,314)**
Cash flows from financing activities			
Capital raising costs		-	(185,422)
Net cash flows provided by / (used in) financing activities		**-**	**(185,422)**
Net (decrease) in cash and cash equivalents		(436,868)	(3,491,695)
Cash and cash equivalents at the beginning of the period		5,407,348	4,030,567
Cash and cash equivalents at the end of the period	5	**4,970,480**	**538,872**

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

Notes to the Financial Statements

NOTE 1 – REPORTING ENTITY

Emerald Oil & Gas NL (the "Company") is a company domiciled in Australia. The consolidated half-year financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the ASX homepage www.asx.com.au or from the Company's registered office at Level 2, 16 Altona Street, West Perth, WA 6005.

NOTE 2 – BASIS OF PREPARATION

The consolidated half-year financial report is a general purpose condensed financial report which has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reports and the Corporations Act 2001. The half-year report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Emerald Oil & Gas NL and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

This consolidated half-year financial report was approved by the Board of Directors on 10 March 2009.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2008, except as disclosed below.

(a) Changes in accounting policies

From 1 July 2008 the consolidated entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008.

- AASB 2008-10 Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)
- Interpretation 12 and AASB 2007-2 Service Concession Arrangements and consequential amendments to other Australian Accounting Standards
- Interpretation 129 Service Concession Arrangements: Disclosures
- Interpretation 4 (revised) Determining whether an arrangement contains a lease
- Interpretation 13 Customer Loyalty Programmes.
- Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Adoption of these standards and interpretations did not have any effect on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopted any new standards or amendments.

NOTE 4 – INCOME TAX

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

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

NOTE 5 – CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:	31 December 2008 $	31 December 2007 $
Cash – unrestricted	4,970,480	538,872
	4,970,480	**538,872**

NOTE 6 – OTHER ASSETS

	31 December 2008 $	30 June 2008 $
Other Assets		
Deposit on property, plant and equipment	115,009	-
	115,009	-

NOTE 7 – EXPLORATION AND EVALUATION EXPENDITURE

		31 December 2008 $	31 December 2007 $
Costs carried forward in respect of:			
Exploration and evaluation expenditure, at cost		3,404,480	2,365,746
Reconciliation:			
A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:			
Carrying amount at beginning of period		4,394,937	1,333,517
Additions		1,230,903	3,021,313
Impairment losses	(a)	(1,434,831)	(1,949,084)
Reversal of previous impairment	(b)	511,584	-
Reimbursement of exploration expenditure	(b)	(1,298,113)	-
Other movements	(c)	-	(40,000)
Carrying amount at end of period		3,404,480	2,365,746

(a) Expenditure on EP104 has been written off in full because swabbing and nitrogen operations failed to lift sufficient drilling mud from the well bore to allow an influx of formation fluids into the wellbore.

(b) Previous impairments to the Greenbush project have been reversed due to a change in the recoverable value of the asset due to a change in estimates; this is evidenced by the Greenbush farm out agreement. The carrying value of the Greenbush project has subsequently been derecognised via the reimbursement of costs associated with the project as per the agreement.

(c) During the comparative period the Company cancelled 250,000 shares which were issued to Daytona Energy in relation to the Pandura project. The financial effect of cancelling these shares has been applied against exploration expenditure.

NOTE 8 - CONTRIBUTED EQUITY

There was no movement in the ordinary share capital during the period.

During the period 2,000,000 options were issued to contractors in lieu of services delivered. The options were issued at a fair value of 0.54 cents.

NOTE 9 – RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The parent entity and ultimate controlling party is Emerald Oil & Gas NL.

(b) Other related party transactions

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a director, was paid rent and company secretarial fees in relation to the administration of the consolidated entity. Ventnor Capital Pty Ltd also provided the services of a finance director to the consolidated entity during the period. A summary of the total fees paid to Ventnor Capital Pty Ltd during the period is as follows:

	2008 $	2007 $
Rent and office administration	48,000	45,000
Company secretarial fees	59,000	48,375
Finance Director fees	100,000	60,000
Total	207,000	153,375

The total amount of fees due to Ventnor Capital as at 31 December 2008 was $33,017 (2007: $54,327).

(c) Terms and Conditions

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

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

NOTE 10– SEGMENT REPORTING

Geographical Segment – primary reporting segment
The consolidated entity operates solely in the exploration and development of properties for the development of oil and gas within Australia and the USA.

2008

Geographical segment	USA $	Australia $	Eliminations $	Consolidated $
Segment Revenues	-	-	-	-
Unallocated Revenues	-	-	-	164,124
Segment result	24,677*	(1,771,177)	340,000	(1,406,500)

*This relates to the reversal of previous impairments (see Note 7)

2007

Geographical segment	USA $	Australia $	Eliminations $	Consolidated $
Segment Revenues	-	-	-	-
Unallocated Revenues	-	-	-	69,637
Segment result	(1,006,038)	(4,527,314)	3,304,485	(2,228,867)

NOTE 11 – COMMITMENTS

Capital commitments

	Consolidated 31 December 2008 $
At 31 December 2008 the consolidated entity has commitments principally relating to the drilling and development of its oil and gas properties as follows:	
Within one year	1,795,000

NOTE 12 – CONTINGENCIES

Emerald agreed to grant a 10% interest in its US subsidiary that holds the Appalachian project to a party that had introduced the project to Emerald, subject to the fulfilment of certain conditions. As at the date of this report some of the conditions have not been met, and Emerald has terminated the arrangement.

NOTE 13 – POST BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company or consolidated entity, the results of those operations or the state of affairs of the company and consolidated entity in subsequent financial years.

Directors Declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 6 to 13:

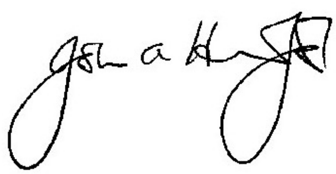
i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

ii. give a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2008 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



J. Hannaford
Executive Director - Finance
Perth
10 March 2009

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To the members of Emerald Oil & Gas NL

Report on the condensed half-year financial report

We have reviewed the accompanying half-year financial report of Emerald Oil & Gas NL, which comprises the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Emerald Oil & Gas NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young

J C Palmer
Partner
Perth
10 March 2009