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Centralised Company Announcements Platform
Australian Stock Exchange
10th floor, 20 Bond Street
Sydney NSW 2000

Option to acquire interest in a Texas Company with producing onshore Oil and Gas assets

Highlights:

- ❖ ***Option to acquire 31.5 % interest in producing onshore Gulf Coast oil and gas fields in Texas;***
- ❖ ***Proved reserves of approximately 1.1 MMbbl oil, 0.3 Bcf gas;***
- ❖ ***Current production of approximately 100 BOPD from 4 wells***
- ❖ ***Plan to immediately re-work 6 more existing wells and to sidetrack wells to access 980,000 bbl proved undeveloped reserves.***
- ❖ ***Further upside in existing Wilcox gas drilling location and potential drilling targets from uninterpreted 3D seismic survey***

NOXXE LLC, onshore Texas, (Emerald interest 31.5 %)

Emerald is pleased to advise it has executed a Memorandum of Understanding securing an option to acquire 31.5% foundation equity interest in a newly formed company, NOXXE LLC, which holds interests in producing oil and gas leases in Harris and Galveston counties, Texas USA.

NOXXE LLC is a company formed specifically to acquire and develop oil and gas assets purchased from the bankruptcy of Daystar Oil & Gas Corp.

Emerald's total equity contribution will be \$US1,000,000, consisting of \$US750,000 in cash and the remaining \$US250,000 in Emerald ordinary fully paid shares, based on the volume weighted average price of EMR shares in the week immediately prior to and after the date of this announcement.

Emerald's has paid refundable cash deposits totalling \$US400,000 over Q4 2009 and Q1 2010. The remaining \$US350,000 required for Emerald's final equity contribution will be funded from Emerald's cash reserves.

Final completion, subject to the execution of the NOXXE Company Agreement, is expected by end March 2010. Under the Company arrangements, Emerald will not assume operating responsibilities, but expects to provide sub-surface technical advice and to hold an appropriate level of influence regarding company decisions.

NOXXE Assets

The Daystar assets consist of interests in the Humble Field (Harris Co.), Dickinson Field (Galveston Co.) and North Dyersdale Field (Harris Co.), all located within a 50 kilometre radius of Houston, Texas.

The interests in those three fields were projected to contain remaining proved reserves (NOXXE net interest) of 1,075,000 barrels of oil and of 335 MMscf of gas, with the majority of the oil and gas reserves located in the Humble and North Dyersdale fields, respectively. NOXXE's net interests in these three fields, based on proved reserves only, has been independently valued at a Net Present Value (10% discount rate) of approximately \$US 30 million (based on \$US 60/bbl oil price and \$US6.00/Mcf gas price).

In addition to the proved oil and gas reserves, the Daystar portfolio contains a number of untested and undrilled prospects which provide further upside to NOXXE. These include additional (net to NOXXE) possible reserves of 1.2 Bcf gas and 14,000 barrels of condensate from a deep Wilcox gas location in the Humble field, potential structures in the North Dyersdale field based on planned interpretation of a new 3D seismic survey and various well deepening opportunities. Based on several deep Wilcox wells in the Humble field, the Wilcox gas well was estimated to result in a NPV10 of \$US3.8million (NOXXE net interest, unrisksed).

In addition to these interests, NOXXE is also pursuing a number of other assets and interests previously owned by Daystar through ongoing bankruptcy processes.

Humble Field

The Humble field was discovered in 1902. This oil field was the foundation asset for Humble Oil Co, which eventually evolved into Exxon Mobil Corporation. The original Humble discovery well is located on NOXXE's current leases.

The Humble field is estimated to have contained approximately 500 million barrels of oil originally in place and has produced approximately 175 million barrels of oil to date. Significant recoverable oil is believed to remain.

The Humble field is formed by a piercing salt dome with numerous oil bearing reservoirs. In the flank area of NOXXE's leases, production has been from Fleming (Miocene), Anahuac, Frio and Vicksburg (Oligocene), Jackson, Yegua and Cook Mountain (Eocene) formations. As many as 16 stacked oil sands have been identified between 2500 and 5000 feet in individual wells in this area. As a result, well spacing can be very tight, i.e. down to 3 acres per well in some cases.

NOXXE holds a 63.5% Working Interest (WI) in four operated leases totalling 1025 acres on the North Eastern side of the Humble oil field. The leases hold 22 wells, of which 3 were producing in 2008 and 6 others are believed to be capable of being reworked or recompleted and returned to production relatively quickly. The remainder are either shut in or temporarily abandoned and will need to be assessed to determine their future potential for production or other uses.

In addition to wells being returned to production and recompletion potential from the multiple oil pay zones present in NOXXE's existing Humble wells, a drilling program is being planned to target attic oil along the flank of the salt dome. Attic oil is oil trapped in fault sealed and tilted reservoirs on the flank of the salt dome which has not been recovered by down dip producing wells. Proved Undeveloped oil reserves of approximately 980,000 barrels (NOXXE net interest) is expected to be recovered from a 20 well drilling and recompletion program targeting the attic oil reservoirs and

under-explored areas. These wells are expected to cost in the order of \$US500,000 each.

Recent Chevron wells also proved Wilcox gas reserves on the North Western flank of the salt dome, a few kilometres from the NOXXE Humble leases, which contain at least one drilling location for a potential deep Wilcox gas well at approximately 13,000 ft.

Dickinson Field

NOXXE holds a 50% WI in a lease covering 38 acres of the Dickinson field, with 1 producing oil well and 2 shut in wells. Immediate plans are to return shut in wells to production. Further upside exists with the potential to deepen wells to a number of target sands to assess their production potential.

North Dyersdale Field

NOXXE holds a 37.3% WI in three leases covering 220 acres of the North Dyersdale field, with three wells capable of production and 1 water disposal well. Since its discovery in 1970, the North Dyersdale field has produced gas and oil from the Cockfield, Yegua and Cook Mountain sands, with the majority of recent production coming from one well completed in Cook Mountain sands.

Opportunities exist to open oil bearing Yegua sands identified in existing wells and to deepen one or more wells to access additional Cook Mountain (Eocene) sands. Further upside also exists with 3D data over the lease area, which Daystar acquired, but did not interpret, prior to their bankruptcy. The 3D data will be interpreted to identify additional fault blocks which could identify prospective drilling targets in currently producing sands as well as in deeper Wilcox sands.

Forward plans

In November and December 2008, Daystar commissioned Pearl Engineering Consulting Service to produce a detailed reserves reports and valuations of NOXXE's interests in the three fields. The Pearl Engineering reports also included fully costed, phased, development plans to develop and produce the reserves indicated in the report. NOXXE intends to implement these field development plans as follows.

Phase 1 - Re-work and re-complete existing wells

A program is currently underway to assess the condition of existing wells and to return as many wells as possible to production after a period of neglect by the previous owner. Current combined production from all three fields is approximately 100 bpd oil from 4 wells, with another 6 wells being scheduled for well servicing and assessment to bring them back on production in the first and second quarter of 2010. This will be immediately followed by a program to re-enter, re-complete and deepen selected wells, opening new well intervals for production over the next several months. Capital costs for this First Development Phase is expected to be approximately \$US500,000 in total.

The NOXXE work program in 2010 will be funded from working capital and a portion of production revenues. Revenue disbursement to NOXXE equity holders is expected to occur quarterly, as production is re-established from existing wells.

Phase 2 - Humble Attic Oil Drilling

Planning for the Humble Attic oil drilling program will begin in 2010, with drilling expected to commence in 2011. The wells are planned to be drilled as sidetracks

from existing well locations. They wells are planned to be drilled in two drilling programs of 10 wells each, at a rate of 2 wells per month.

Phase 3 - Exploration Drilling

The Third Phase will involve potentially drilling a Wilcox gas well and other drilling targets identified from the North Dyersdale 3D seismic survey. This drilling will likely take place in 2012.

Note: All hydrocarbon reserves and valuations mentioned in this communication are summarised from Pearl Petroleum Engineering Consulting Services reports dated November and December 2008. These reports were prepared for DayStar Oil & Gas Corp by Nguyen B. Ngoc (B.S. and M.S. Petroleum Engineering from the University of Texas and Registered Professional Engineer in the State of Texas) and consent has been received to present the information from these reports in the form they appear in this communication.

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About Emerald Oil & Gas NL

Emerald Oil & Gas NL (ASX: EMR), listed on the ASX in June 2006, is an oil and gas exploration and production company with project interests in Kentucky and Texas in the USA and in the Canning Basin of Western Australia. Emerald's focus is on both conventional and non-conventional reservoir targets for oil and gas prospects. Its primary objective is to achieve near term production and cashflow to build shareholder value and provide funds to fuel further growth.

Statements regarding Emerald's plans with respect to its petroleum properties are forward-looking statements. There can be no assurance that Emerald's plans for development of its petroleum properties will proceed as currently expected. There can be no assurance that Emerald will be able to confirm the presence of additional petroleum deposits, that any discovery will prove to be economic or that an oil or gas field will successfully be developed on any of Emerald's petroleum properties.