



ACN 009 795 046

PROSPECTUS

FOR A

NON-RENOUNCEABLE, PRO-RATA ENTITLEMENTS OFFER

This Prospectus relates to a non-renounceable entitlements Offer of approximately 127,500,000 New Shares and approximately 63,750,000 free attaching New Options to be offered at a price of two cents (\$0.02) per Share to Eligible Shareholders pro-rata based on the number of Shares held on the Record Date.

The Offer will raise approximately \$2,550,000 before costs.

**This Offer is underwritten by RM Capital Pty Ltd
ABN 74 065 412 820
subject to the rights of termination described in Section 6.5**

This Prospectus is a transaction-specific prospectus issued in accordance with Section 713 of the Corporations Act.

The securities being offered by this Prospectus should be considered speculative. This document is important and should be read in its entirety. You may wish to consult your stockbroker, solicitor, accountant or other financial adviser about its contents.

Important Notice

Investment in the Shares and Options being offered under this Prospectus should be considered speculative. Investment in the Shares and Options may not be appropriate for Shareholders who require security of capital and income, or who are risk averse. There is no assurance that the Company will successfully implement its objectives, in particular, with respect to the further exploration outlined in this Prospectus. For this reason, the Prospectus does not contain revenue or profit forecasts. As discussed in Section 5 there are a number of risk factors that may affect the Company's prospects including its ability to successfully implement any business objectives described in this Prospectus.

Before applying for Shares and Options under this Prospectus, Shareholders should consider whether the Shares and Options are a suitable investment in light of their own investment objectives and financial circumstances.

This Prospectus is dated 2 August 2010 and a copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Shares and Options will be allotted or issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date which is 13 months after the date of this Prospectus. Shares and Options allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus. Application will be made by the Company to the ASX within seven days after the date of this Prospectus for the Shares and Options offered to be admitted to quotation on the ASX.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares and Options or otherwise permit a public offering of the Shares and Options in any jurisdiction other than Australia and New Zealand.

In particular, the Offer has not been, and will not be, registered under the United States of America's (USA) Securities Act or the securities laws of any state of the USA and is not being made in the USA or to persons resident in the USA. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to investors in the USA or otherwise distributed in the USA.

Terms referred to in this Prospectus are defined in the Glossary in Section 8.

References to dollars are to Australian dollars unless otherwise indicated.

References to Sections are to Sections of this Prospectus.

Transaction-Specific 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 offered; 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 2009;
- (b) the half-year financial report of the Company for the half-year ended 31 December 2009;
- (c) the following continuous disclosure notices given by the Company after the lodgement of the 2009 annual financial report of the Company with ASIC and before the lodgement of this Prospectus with ASIC:

Date	Details
20/10/09	Notice of Annual General Meeting/Proxy Form
30/10/09	Quarterly Activities and Cashflow Report
25/11/09	KEP LLC Formed to target High Productivity Gas Wells
26/11/09	Results of Meeting
26/11/09	AGM Presentation
01/12/09	100% Interest Acquired in NW Alice Well
06/01/10	Details of Company Address
06/01/10	Change of Director's Interest Notice x 3
27/01/10	Emerald Acquires Additional Appalachian Gas Acreage / Wells
01/02/10	Quarterly Activities and Cash Flow Report
02/03/10	Expiry of Unlisted Options
02/03/10	Change of Director's Interest Notice
04/03/10	EGO: Gingin West 1 Test Programme and Stokes Bay Study Test
11/03/10	Trading Halt
11/03/10	Option to acquire interest in Texas Oil Producing Co
16/03/10	Half Year Accounts
19/03/10	Change in substantial holding
22/03/10	Oil Production and Additional Interests acquired in NOXXE
24/03/10	Change in substantial holding
26/03/10	Company Presentation – Company Summary and Business Plans
26/03/10	Trading Halt
30/03/10	Placement to Progress US Exploration Programme
30/03/10	Change in substantial holding
30/03/10	Appendix 3B
06/04/10	Trading Halt
08/04/10	NOXXE Update
12/04/10	Secondary Trading Cleansing Notice pursuant to 708A(5)

23/04/10	Notice of Extraordinary General Meeting/Proxy Form
30/04/10	Emerald to increase interest in NW Alice field
30/04/10	Quarterly Activities and Cash Flow Report
11/05/10	Change of Director's Interest Notice
13/05/10	Change of Director's Interest Notice
20/05/10	Change of Director's Interest Notice
25/05/10	Company Presentation – Operations Update
25/05/10	Results of Meeting
09/06/10	Change of Director's Interest Notice
17/06/10	Emerald to Drill in NW Alice Field
18/06/10	Emerald taking legal action in US NOXXE Dealing
21/06/10	Emerald Consolidating Appalachian Operations
25/06/10	Appendix 3B
25/06/10	Placement – Secondary Trading Notice
02/08/10	Quarterly Activities and Cash Flow Report
02/08/10	Capital Raising to fund NW Alice Drilling Program

The Company will give a copy of any of the documents in paragraphs (a), (b) or (c) above free of charge to anyone who asks for it during the application period for this Prospectus.

CORPORATE DIRECTORY

DIRECTORS

Jeremy David Shervington
(Non Executive Chairman)

John Hannaford (Non Executive)

Robert Berven (Non Executive)

Michael Krzus
(Managing Director)

REGISTERED OFFICE

Suite 2, 12 Parliament Place
West Perth WA 6005
Telephone: +6 18 9481 0510
Facsimile: +61 8 9481 0505
ASX Code: EMR
www.emeraldoilandgas.com

SOLICITOR TO THE OFFER

Jeremy Shervington
52 Ord Street
West Perth WA 6005
Telephone: +61 8 9481 8760
Facsimile: +61 8 9481 5142

UNDERWRITER TO THE OFFER

RM Capital Pty Ltd
ABN 74 065 412 820
PO Box 154
West Perth WA 6872
Facsimile: + 61 9 9321 8399

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
Telephone: + 61 8 9315 2333
Facsimile: + 61 8 9315 2233

AUDITORS

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000
Telephone: +61 8 9227 7500
Facsimile: + 61 9 9227 7533

COMPANY SECRETARY

Morgan Barron

CHAIRMAN'S LETTER

Dear Shareholder,

As announced on 2 August 2010 the Company is proposing to conduct a capital raising to provide funds to participate in the drilling of a new well at the NW Alice project, and to supplement its working capital.

The raising will occur via:

- (a) An Initial Placement of 10 million Shares and 5 million New Options to raise \$200,000 before costs which has been underwritten by the Underwriter and will be made to nominees and clients of the Underwriter on the day after the Record Date; and
- (b) an Entitlements Offer which will raise \$2,550,000 before costs and which has also been underwritten by the Underwriter.

This Prospectus details your entitlement to subscribe for new Shares and Options in the pro-rata, non-renounceable Entitlements Offer of Shares and Options, and provides information on the intended use of funds raised.

The highlights of the Entitlements Offer are:

- Eligible Shareholders will be able to subscribe for Shares based on the number of Shares held on the Record Date.
- For every two Shares subscribed for the Company will grant an Option exercisable at \$0.05 on or before 31 August 2012 for no additional consideration.
- On the basis of the existing Shares on issue (being 132,803,764 Shares) and assuming none of the Existing Options are exercised in sufficient time prior to the Record Date, for each 1,000 Shares held, each Eligible Shareholder will be entitled to subscribe for approximately 960 Shares (and approximately 480 attaching free Options) at a cost of approximately \$19.20.
- Eligible Shareholders are those Shareholders recorded on the register of members of the Company on the Record Date with registered addresses in Australia or New Zealand.
- The issue price of each Share is 2 cents;
- The Offer is non-renounceable;
- The Offer is underwritten by RM Capital Pty Ltd subject to the conditions set out in Section 6.5 and will raise approximately \$2,550,000.

The funds to be raised under this Prospectus together with the \$200,000 to be raised pursuant to the Initial Placement will be used to supplement the ongoing working capital requirements of the Company including the following:

- (a) paying the costs of the Offer and the Placement – approximately \$200,000;
- (b) participating in the drilling of a well on the NW Alice Field as announced on 17 June 2010 – approximately \$1 million;

- (c) an ongoing review of what opportunities to pursue in respect of the Company's Appalachian projects (as announced on 21 June 2010) and pursuit of legal remedies in respect of the NOXXE dealing (as announced on 18 June 2010).
- (d) Importantly, funding the costs of seeking out, researching and reviewing new investment opportunities which the Board will now turn a major part of its attention to.

The investment opportunities which the Board will look for will encompass a broad range of opportunities in the energy, resources and hydrocarbon sectors.

To the extent that any such investment opportunities are embarked on and necessitate compliance with the Listing Rules the Company will meet those obligations as they may apply in the relevant circumstances.

On behalf of Directors, I look forward to your subscriptions under this Prospectus.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke.

Jeremy Shervington
Chairman

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Summary of Important Dates

The indicative timetable for the Offer is as follows:

Event	Date
Lodgement of Prospectus with ASIC	2 August 2010
Lodgement of Prospectus with ASX	2 August 2010
Announcement of Entitlements Offer and lodgement of Appendix 3B with ASX	2 August 2010
Notice telling Option holders of the Offer	2 August 2010
Notice sent to Shareholders containing Appendix 3B details and indicative timetable	4 August 2010
Shares commence trading without the entitlement to participate in the Offer ("Ex" date)	10 August 2010
Record Date for determining Entitlements	16 August 2010
Initial Placement Completed	17 August 2010
Prospectus and Entitlement and Acceptance Form for the Entitlements Offer sent to Eligible Shareholders	19 August 2010
Expected Closing Date for acceptances	3 September 2010
Commencement of deferred settlement period. Shares commence trading on a deferred settlement basis	6 September 2010
Shortfall notification to the ASX	8 September 2010
Allotment of Shares and Options and despatch of holding statements for Shares and Options. Deferred settlement period ends	13 September 2010
Normal ASX trading T+3 for Shares and Options issued under the Entitlements Offer is expected to commence	14 September 2010

The dates set out above are indicative only and may be subject to change.

The Directors reserve the right to vary the key dates without prior notice subject to compliance with the Listing Rules and the Corporations Act. The Directors reserve the right to decide not to proceed with the Offer.

SECTION 1

Details of the Offer

1.1 The Offer and Entitlement

This Prospectus invites Eligible Shareholders to participate in a pro-rata non-renounceable Entitlements Offer on the basis of Shares held on the Record Date, at a price of \$0.02 per Share. For every two New Shares subscribed for the Company will grant one New Option for no additional consideration, exercisable at \$0.05 on or before 31 August 2012. The full terms of the Shares and Options are set out in Section 6.

The number of Shares and Options which are issued pursuant to the Offer may vary depending on the number of Existing Options that are exercised prior to the Record Date and depending on the composition of the register of members on the Record Date. If, as is expected, no Existing Options are exercised prior to the Record Date then approximately 127,500,000 Shares and 63,750,000 Options will be offered under the Entitlements Offer raising approximately \$2,550,000 (before the costs of the Offer).

The Entitlements Offer will open for receipt of acceptance at 9.00 am Perth time on 19 August 2010 and will close at 5.00pm Perth time on 3 September 2010, or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine. **You should allow sufficient time to ensure that your Entitlement and Acceptance Form reaches the Share Registry by the specified time.**

Holders of Existing Options will not be entitled to participate in the Entitlements Offer unless they exercise those Options and are issued Shares prior to the Record Date.

The Entitlements Offer is being made on a non-renounceable basis, meaning that Entitlements may not be transferred or sold.

1.2 What is my Entitlement?

The number of Shares and Options to which you are entitled is shown in the accompanying Entitlement and Acceptance Form. In the calculation of any Entitlement, fractions will be rounded up to the nearest whole number and for this purpose, holdings in the same name will be aggregated for calculation of Entitlements.

You can elect to:

- subscribe for all of your Entitlement;
- subscribe for part of your Entitlement; or
- not take up any of your Entitlement.

1.3 Conditions of the Offer

The Offer is not conditional, other than as described in Section 1.9 and Section 1.10.

1.4 Use of funds

Funds raised under the Offer will supplement the existing cash reserves and the funds to be raised from the Initial Placement to form working capital, to pay the cost of participating in a well to be drilled on the NW Alice Project – approximately \$1,000,000 and to meet the

expenses of the Offer of approximately \$200,000.

A general description of the currently planned specific utilisation of part of the working capital is set out in the Chairman's letter on page 6 of this Prospectus.

1.5 Opening Date and Closing Date

The Offer will open on 19 August 2010 ("**Opening Date**") and close at 5.00pm Perth time on 3 September 2010 (or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine ("**Closing Date**"), provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date.

Completed Entitlement and Acceptance Forms must be received at the Share Registry by the Closing Date, together with payment, in Australian dollars, for the amount of the application.

1.6 Who is entitled to participate in the Offer?

The Shares and Options being offered under this Prospectus are being offered to Eligible Shareholders being those Shareholders on the Record Date with registered addresses in Australia and New Zealand.

1.7 Offer not made to Excluded Shareholders

No action has been taken to register or qualify the Shares and Options or the Offer or otherwise permit a public offering of the Shares and Options in any jurisdiction other than Australia and New Zealand.

In particular, the Offer has not been, and will not be, registered under the United States of America's (USA) Securities Act or the securities laws of any state of the USA and is not being made in the USA or to persons resident in the USA. Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form or Shortfall Application Form may be sent to investors in the USA or otherwise distributed in the USA.

The Company believes it is unreasonable to extend the Offer to Shareholders who have registered addresses outside of Australia and New Zealand (Excluded Shareholders). The Company has formed this view having considered:

- (a) the number of Excluded Shareholders;
- (b) the number and value of the securities that would be offered to Excluded Shareholders; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Offer under this Prospectus is not made to Excluded Shareholders.

1.8 Issue and allotment of Shares and Options

Until issue and allotment of the Shares and Options the Application Monies will be held on trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of the Company and will be held by it irrespective of whether allotment of Shares and Options takes place. No allotment of Shares and Options will take place until the proceeds of the Offer have been received and ASX grants

permission to quote the Shares and Options. The Company expects that the Shares and Options will be issued and allotted no later than 13 September 2010.

Holding statements for the Shares and Options will be mailed as soon as possible after the Closing Date.

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

1.9 ASX Quotation

The Company will make application to the ASX within 7 days following the date of this Prospectus for official quotation of the Shares and Options offered pursuant to this Prospectus.

Quotation, if granted, of the Shares and Options will commence as soon as practicable after statements of holdings of the Shares and Options are dispatched.

If approval for official quotation is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares and Options and will repay all Application Monies (where applicable) within the time prescribed under the Corporations Act, without interest.

A decision by ASX to grant official quotation of the Shares and Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, of the Shares and Options offered for subscription.

1.10 Minimum subscription

The minimum subscription under this Prospectus is the Underwritten Amount. If the Underwriting Agreement is terminated or for any other reason the minimum subscription is not reached, the Company will return all Application Moneys as soon as practicable without interest.

1.11 Risks associated with not accepting your Entitlement

It is important that Eligible Shareholders understand the risks associated with not accepting their Entitlements.

If you elect not to accept your Entitlement in full under this Prospectus, your shareholding in the Company may be diluted. Please carefully consider whether to accept your Entitlement and, if you are in doubt as to whether to accept, you should consult your independent professional investment adviser.

Please refer to Section 4 which sets out the impact of the Offer on the Company, including the impact on control of the Company if you do not choose to accept your Entitlement.

1.12 Underwriting

The Offer is underwritten by RM Capital Pty Ltd subject to certain conditions and termination events. A summary of the Underwriting Agreement including the circumstances, in which the Underwriting Agreement can be terminated, is contained in Section 6.5.

The Underwriter will receive a fee of 6% on the Underwritten Amount. The Underwriter is also entitled to reasonable out of pocket expenses in connection with the Offer.

1.13 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will be dealt with by the Directors in consultation with the Underwriter, having consideration of the terms of the Underwriting Agreement.

The offer of the Shortfall is a separate offer pursuant to this Prospectus and will remain open after the Closing Date. Only parties nominated by the Underwriter may apply for Shortfall Shares. The Underwriter has entered into certain sub-underwriting agreements with sub-underwriters. The issue price of any Shares offered pursuant to the Shortfall offer shall be \$0.02, being the price at which the Entitlement has been offered to Eligible Shareholders pursuant to this Prospectus.

1.14 Risk factors

A summary of certain risks of the future performance of the Company is provided in Section 5. Shareholders should carefully read these risk factors when considering whether to invest in the Shares and Options.

1.15 No brokerage and stamp duty payable on subscription under Entitlement

No brokerage or stamp duty will be payable by you in respect of a subscription for Shares and Options under your Entitlement.

1.16 Clearing House Electronic Sub-Register System (“CHESS”) Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to the ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) or Shareholder Reference Number (SRN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

1.17 Privacy

If you complete an application for Shares and Options, you will be providing personal information to the Company (directly or by the Company’s share registry). The Company collects, holds and will use that information to assess your application, service your needs as a shareholder, facilitate distribution payments and corporate communications to you as a shareholder and carry out administration.

The information may also be used from time to time and disclosed to:

- (a) persons inspecting the register;
- (b) bidders for your securities in the context of takeovers;
- (c) regulatory bodies, including the Australian Taxation Office;

- (d) authorised securities brokers;
- (e) print service providers and mail houses for the purpose of preparation and distribution of statements and handling mail;
- (f) investor relations and market research consultants or firms for the purpose of analysing the Company's Shareholder base and for project development and planning; and
- (g) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Shares and for associated actions.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares and Options, the Company may not be able to accept or process your application.

1.18 Enquiries

If you have any questions concerning your Entitlement, please contact the Company Secretary, Morgan Barron on telephone (+61 8) 9481 0500, facsimile (+61 8) 9481 0505 or contact your professional adviser.

1.19 No prospective 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 current operations of the Company being hydrocarbon exploration and development which 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, therefore the Directors have not included forecasts in this Prospectus.

1.20 Withdrawal of Offer

The Company reserves the right not to proceed with the Offer at any time before the issue of the Shares and Options to Eligible Shareholders. If the Offer does not proceed, the Company will return all Application Monies as soon as practicable without interest after giving notice of its withdrawal.

1.21 Placement Facility

It is a term of the Underwriting of the Offer (as reflected in the Underwriting Agreement) that if the Shortfall is less than 40 million Shares (\$800,000) and if the Underwriter has otherwise fulfilled its obligations in respect of the Underwriting Agreement then the Underwriter can elect (by notice in writing to Emerald) to require Emerald, subject to any necessary shareholder approval, to issue to the Underwriter's nominees (who will be sophisticated/ institutional investors who are exempt offerees for the purposes of Section 708 of the Corporations Act) such number of Shares at two cents each (and attaching 1 for 2 New Options) as will ensure that at least 40 million Shares and 20 million attaching Options are issued to the Underwriter

and/or its nominees pursuant to the Underwriting Agreement in addition to the 10 million Shares and 5 million New Options to be issued as part of the Initial Placement.

By way of example of how the Placement Facility will operate:

- (a) in the unlikely event that the Shortfall is zero, then the Underwriter can elect to require that Emerald issues to its nominees 40 million Shares and 20 million attaching free New Options, resulting in the raising of an additional \$800,000 before costs;
- (b) if the Shortfall is 30%, then the Underwriter can elect to require that Emerald issues to its nominees 1,750,000 Shares and 875,000 attaching free New Options, resulting in the raising of an additional \$45,000 before costs;
- (c) if the Shortfall is 100%, then the Underwriter will be obliged under the Underwriting Agreement to procure subscriptions for 127,500,000 Shares and 63,750,000 attaching free Options and will have no additional rights under the Placement Facility.

The Underwriter will be entitled to a fee of 6% of any amount that is raised pursuant to the Placement Facility. The Shares issued under the Placement Facility will rank equally in all respects with any existing Shares.

Any additional funds raised under the Placement Facility will supplement the Company's working capital.

1.22 Initial Placement

Pursuant to the Underwriting Agreement, the Company will, on the day after the Record Date, issue to nominees of the Underwriter, 10 million Shares at a price of 2 cents each and 5 million attaching free New Options. The Shares to be issued will rank equally in all respects with existing Shares.

The Underwriter has underwritten the Initial Placement and will be entitled to a fee of \$112,000 plus GST in respect thereof.

SECTION 2

Actions Required by Shareholders

2.1 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for Shares and Options in accordance with the instructions set out in that form. Applications must not exceed your Entitlement as shown on the Entitlement and Acceptance Form. Applications exceeding your Entitlement will be deemed to be for your maximum Entitlement and any surplus subscription funds will be returned, without interest.

You should then forward your completed Entitlement and Acceptance Form together with your application money or alternatively make your payment via Electronic Funds Transfer (EFT) in accordance with Section 2.3 to reach the Share Registry no later than 5.00pm Perth time on 3 September 2010.

2.2 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement, follow the instructions on the accompanying Entitlement and Acceptance Form to apply for the number of Shares and Options you wish to take up and follow the steps detailed in Section 2.1. If you take no further action, the balance of your Entitlement will lapse.

2.3 Payment

All applications for Shares and Options must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire Shares and Options on the terms and conditions set out in the Prospectus. The Directors reserve the right to reject any application for Shares and Options. Entitlement and Acceptance Forms must be accompanied by payment in full in respect of the number of Shares and Options applied for at an issue price of \$0.02 per Share.

Payments must be made by 5.00pm Perth time on 3 September 2010 and must be in Australian currency and by:

- cheque drawn on and payable at any Australian bank;
- money order; or
- bank draft drawn on and payable at any Australian bank.

Cheques or bank drafts must be made payable to 'Emerald Oil & Gas NL' and crossed "Not Negotiable". Cash payments and money orders will not be accepted and receipts for payment will not be provided.

Alternatively, payment can be made via EFT by following the instructions on the enclosed Entitlement and Acceptance Form. Note it is the responsibility of the applicant to ensure funds submitted through EFT are received by 5.00pm Perth time on 3 September 2010.

2.4 Delivery and postal address

Completed Entitlement and Acceptance Forms and renunciation forms and accompanying payments must be returned to the Share Registry at the following address and received no later than 5.00pm Perth time on 3 September 2010.

By mail:

Emerald Oil & Gas NL
C/- Security Transfer Registrars Pty Ltd
PO B ox 535
Applecross
Western Australia 6593
Australia

By delivery

Emerald Oil & Gas NL
C/- Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross
Perth Western Australia 6153
Australia

SECTION 3

3.1 Purpose of the Offer

The Company is seeking to raise approximately \$2,550,000 through the Offer (before the costs of the Offer). Funds raised from the Offer will be used by the Company:

- to pay the Company's share of expenses to drill one well at the NW Alice project in Texas, USA estimated at \$1,000,000;
- to pay the expenses of the Offer estimated at \$200,000; and
- for working capital.

All exploration, and thereby associated expenditure, will be results driven.

3.2 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. Further details of risk are set out in Section 5.

SECTION 4

Effect of the Offer on Emerald

4.1 Principal effect of the Offer

The principal effect of the Offer on the Company will be that cash reserves will increase by approximately \$2,550,000 before deducting the expenses of the Offer.

4.2 Impact on capital structure

The table below sets out the impact of the Offer on the Company's capital structure as at the date of this Prospectus.

Shares		Options
132,803,764	Existing	661,638 Options exercisable at 17.68 cents each expiring on 23 January 2011 – not quoted on ASX;
		2,000,000 Options exercisable at 25 cents each expiring on 31 May 2011 – not quoted on ASX;
		5,000,000 Options exercisable at 10 cents each expiring on 31 March 2014 – not quoted on ASX;
		11,661,115 Options exercisable at 10 cents each expiring on 30 June 2012 – not quoted on ASX.
10,000,000	Initial Placement	5,000,000 – Attaching Options
		10,000,000 – Adviser Options **
127,500,000	New Shares	63,750,000 – Options
*270,303,764 Shares		98,072,753 Options *

Note: * Pursuant to the Placement Facility described in Section 1.21, if the Shortfall is less than 40 million Shares the Underwriter can elect to require the Company to issue to its nominees such number of Shares and attaching Options as will result in at least 40 million Shares and 20 million Options being issued pursuant to the Underwriting Agreement (in addition to the 10 million Shares and 5 million New Options to be issued under the Initial Placement). No provision is made in the above table for this.

 ** The “Adviser Options” referred to in the above table is a reference to New Options the Company has agreed will be issued to Ochre Management Pty Ltd if the Offer is successfully completed as part of its role in procuring the execution of the Underwriting Agreement.

The immediate effect of the Entitlements Offer on the Company's capital structure will be the issue of approximately 127,500,000 Shares and 63,750,000 Options assuming no Existing Options are exercised prior to the Record Date and assuming no Shares or Options are issued pursuant to the Placement Facility.

The longer term effect of the Offer on the Company's capital structure will depend on the number of Options issued under the Offer that are ultimately exercised.

4.3 Pro Forma Consolidated Balance Sheet

Below is a pro-forma consolidated Balance Sheet prepared on the basis of the Company's consolidated unaudited 31 December 2009 accounts and the other assumptions set out below.

	Unaudited, Reviewed as at 31 December 2009	Pro Forma as at 31 December 2009
	\$'000	\$'000
ASSETS		
Current Assets		
Cash and cash equivalents	1,629,145	4,379,145
Trade and other receivables	242,307	242,307
Total Current Assets	<u>1,871,452</u>	<u>4,621,452</u>
Non-current Assets		
Exploration and evaluation	3,427,126	3,427,126
Plant & equipment	181,813	181,813
Oil and gas assets	459,120	459,120
Total Non-current Assets	<u>4,068,059</u>	<u>4,068,059</u>
TOTAL ASSETS	<u>5,939,511</u>	<u>8,689,511</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	98,799	310,799
Total Current Liabilities	<u>98,799</u>	<u>310,799</u>
TOTAL LIABILITIES	<u>98,799</u>	<u>310,799</u>
NET ASSETS	<u>5,840,712</u>	<u>8,378,712</u>

The pro forma consolidated balance sheet has been prepared using the following assumptions:

- (a) the Initial Placement has been completed;
- (b) no Shares/Options are issued under the Placement Facility. If the maximum number of Shares and Options that could be issued thereunder were issued the impact would be a further \$800,000 in cash and \$48,000 in current liabilities;
- (c) the issue and allotment by the Company of 127,500,000 Shares and 63,750,000 Options at an issue price of 2 cents each to raise a total of \$2,550,000;
- (d) expenses of the Offer estimated at \$200,000 exclusive of GST have not been paid;
- (e) no Existing Options are exercised;

- (f) no account is taken of Emerald's operating expenditure of approximately \$1,497,000 incurred from 1 January 2010 to 30 June 2010. As at 23 July 2010 Emerald has approximately \$20,000 cash at bank.

SECTION 5

Risk Factors

5.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for Shares and Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement and potential future involvement in the exploration and resource industries. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

5.2 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.

5.3 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:

- 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);
- the level of direct or indirect competition against the Company;
- international currency fluctuations;
- new or increased government taxes or duties or changes in taxation laws; and
- changes in government regulatory policy affecting the industry in which the Company operates and further regulation of the industry generally.

5.4 General Exploration and Development Risks

The future viability and profitability of the Company as an exploration company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates and in particular the price of oil and gas;

- risks inherent in exploration and extraction including, among other things, successful exploration and identification of hydrocarbon reserves, satisfactory performance of operations and competent management;
- the risk of material adverse changes in government policies or legislation affecting the level of exploration and extraction activities,;
- environmental management issues with which the Company may be required to comply from time to time;
- poor weather conditions over a prolonged period which might adversely affect exploration and extraction/production activities and the timing of earning revenues;
- unforeseen major failures, breakdowns or repairs required to key items of plant and equipment or structure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep;
- risks associated with projected continuity of resources/reserves fluctuations in quality and values of the product being produced, and unforeseen operational and technical problems;
- risks associated with the grant of approvals and permits required to commence operations, including environmental approvals and the grant of suitable licences, which may be secured outside anticipated time frames or not at all;
- accuracy of capital estimates in the current environment have proven in many cases to be understated. In addition the escalating cost of plant and equipment may make projects uneconomic; and
- operating costs may increase for both materials and labour due to shortages. Rising costs may make projects uneconomic.

If exploration or production programmes prove to be unsuccessful, this could result in a diminution of the value of the relevant exploration or production interests which could have a negative impact on the Company's share price. In the event that programmes yield negative results, exploration interests may be relinquished either in total or in part thereof and/or the Company may cease funding, even though a viable resource may be present, but undiscovered.

5.5 Resource estimates

Resource estimates are not precise, being based on knowledge, experience and industry practice. They may change significantly when new information becomes available. The Company's assets include resources which have yet to be adequately tested to prove economic viability.

5.6 Environmental risks

The Company will be subject to environmental regulations. Non-compliance with these could result in a cessation of production and in substantial liabilities.

5.7 Share market conditions

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

5.8 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.

5.9 Commodity prices

Commodity prices, including the market price of oil and gas, may substantially impact on the economics of exploration and extraction projects and hence on exploration and development programs, and consequently on the value of the Company's Share and Option prices. Commodity prices react to the economic climate, market forces of supply and demand and other factors beyond the Company's control. Prices of certain resources have fluctuated widely in recent years and future prices cannot be accurately predicted. A severe decline in the price of a product being produced or expected to be produced by the Company would have a material adverse effect on the Company. If certain prices were to decrease significantly, the Company would determine that it is not economically feasible to commence or continue production and the Company's initial investment in exploration would be lost.

5.10 Competition

The Company operates in a highly competitive industry. The Company competes with other developmental resource companies which have similar operations, and many competitors have operations and financial resources and industry experience greater than those of the Company. The Company may encounter increasing competition from other companies in its efforts to acquire additional resource properties and hire experienced resource industry professionals. Increased competition in the Company's business could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for exploration in the future.

5.11 Production risks

There are no assurances that the Company can produce any products on a commercially viable basis. The Company's ability to generate revenues and profits is expected to occur through development of its existing properties as well as through acquisitions of interests in new properties. Substantial expenditures will be incurred in an attempt to establish the economic feasibility of operations by identifying and establishing reserves through drilling and other techniques, developing processes to extract hydrocarbons economically, designing facilities and planning operations. The economic feasibility of a project depends on numerous factors, including the cost of extraction and production facilities required to extract the desired product, the total reserves that can be exploited using a given facility, the proximity of the reserves to a user of the products and the market price of the products at the time of sale. There is no assurance that existing or future exploration programs or acquisitions will result in the identification of resources that can be extracted profitably.

5.12 Financial risks

The Company has limited financial resources. Further development of projects will be dependent on 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.

5.13 Taxation

Profits arising from operations conducted by the Company will be subject to taxation.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company and on the disposal of Shares, Options and Shares and Options.

Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation. The Company, its Directors and its advisers do not accept any responsibility or liability for any taxation consequences incurred by investors. If you are in any doubt as to the course you should follow, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.14 Government

Operations and exploration activities are subject to various federal, state and local laws and regulations in whatever country they are conducted in, and the Company's operations are also subject to federal and state laws in Australia. Laws and regulations govern the exploration, extraction, development, production, importing and exporting of products, taxes, labour standards, occupational health, waste disposal, protection of the environment, safety, toxic substances and other matters. In many cases, licences and permits are required to conduct operations, and there is no assurance that such required permits will be granted. Amendments to current laws and regulations governing operations and activities of resources exploration or production companies or more stringent implementation thereof could have a substantial adverse impact on the Company. Applicable laws and regulations will require the Company to make certain capital and operating expenditures to initiate new operations. Under certain circumstances, the Company may be required to close an operation once it is started until a particular problem is remedied or to undertake other remedial actions.

5.15 Title and Title Opinions

Under production and exploration tenements and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. Failure to comply with the relevant laws may render tenements liable to be forfeited unless a total or partial exemption is granted in accordance with relevant legislation.

Further, there is no guarantee that current or future applications, extensions or renewals of the tenements in which the Company may have an interest will be granted.

5.16 Environmental Legislation and Regulation

Inherent in exploration and extraction operations is a real environmental risk. The legal framework governing this area is constantly developing in all jurisdictions. Environmental regulations are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. Environmental regulations could impact upon the viability of the Company's projects.

Hydrocarbon or resource exploration and production can be environmentally sensitive activities which can give rise to substantial costs for environmental rehabilitation, damage, control and losses. Further, if there are environmental rehabilitation conditions attached to the tenements of the Company, failure to meet such conditions could lead to forfeiture of these tenements. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past or other activities for which it was not responsible.

The Company minimises environmental risk by maintaining best practice environmental management in all respects of exploration and production under its operational control.

5.17 Foreign currency fluctuations

The Company may be subject to foreign currency fluctuations. Currently, the Company's currency fluctuation exposure is primarily to the US dollar and the Australia dollar. The Company does not currently use derivative financial instruments for speculative trading purposes, nor does the Company currently hedge its foreign currency exposure to manage the Company's foreign currency fluctuation risk. Fluctuations in and the various currencies in which the Company operates could have a material effect on the Company's operations and its financial results.

5.18 Insurance risk

The Company as a participant in exploration programmes, may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Company may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

5.19 Personnel

The success of the Company's proposed operations depends to some extent on the ability of the Company to attract and retain qualified and capable staff and consultants to perform geological, exploration, analytical, geotechnical, engineering and related work. In the current tight worldwide conditions for personnel qualified in such areas, attracting and retaining appropriately experienced staff is particularly difficult.

In addition, the Company may hold interests in projects where other parties are designated as operator under joint venture agreements. While the Company makes every effort to ensure that the operators for its projects have the appropriate capability, the Company ultimately relies on the operator to carry out the necessary exploration and production activities competently under appropriate agreement structures.

5.20 Force majeure and uncertainties of nature

Force majeure events may adversely affect the operations of the Company. In particular, the Company's activities are subject to uncertainties of nature including natural disasters and extreme weather conditions.

5.21 Litigation

Legal proceedings may arise from time to time in the course of the Company's business and, depending on the outcome of such proceedings, the Company may be exposed to liabilities.

5.22 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 extraction industries, including, but not limited to, the following:

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

5.23 Speculative nature of investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company, the value of the Company's securities including the value of the Shares and Options offered under this Prospectus.

Therefore, the Shares and Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares and Options in the Company.

5.24 Risks associated with investing in Shares and Options

Financial market conditions

The market price of Shares and Options will fluctuate due to various factors, including worldwide economic conditions, interest rates, credit spreads or other corporate securities, general movements in the Australian and international equity markets, movements in the market price of Shares, factors which may affect the Company's financial position and earnings and investor sentiment.

The market price of Shares and Options may be more sensitive than that of other securities to changes in interest rates, and Shares and Options could trade on ASX at a price below the price at which they are issued.

The Shares held as a result of any conversion of Options will, following conversion, rank equally with existing Shares. Accordingly, their value after any conversion date will depend upon the market price of Shares.

Liquidity

The market for Shares and Options may be less liquid than the market for other securities. There can be no assurance that investors will be able to buy or sell Shares and Options on ASX at all or at any particular price.

Further issues of securities

The Company may issue further securities with the same or different terms as the Shares and Options, including further shares and options that rank for interest, redemption or payment in a winding-up of the Company equally with, ahead or behind the Shares and Options.

SECTION 6

Additional Information

6.1 Market Prices of Quoted Securities

The Company's securities were following the Company (then known as Matrix Oil NL) coming out of administration, reinstated to trading on ASX on 28 June 2006.

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the 6 months prior to the date of this Prospectus were \$0.062 and \$0.02.

The last market sale price of the Shares on ASX on the last day that trading took place prior to the date of this Prospectus was \$0.02 on 29 July 2010.

6.2 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Shares and Options. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers and advisers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Shares and Options in the Company or dealing with an Entitlement under this Offer.

6.3 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus other than the Company has commenced proceedings in a Court in Texas to seek appropriate remedies in respect of breaches in respect of arrangements entered into in respect of NOXXE as disclosed in its ASX announcement dated 18 June 2010.

ASX maintains files containing publicly available information for all listed companies on its website (www.asx.com.au). The Company's announcements can be viewed on this site.

6.4 Nature of this Prospectus

This Prospectus has been prepared on the basis of the special content rules under section 713 of the Corporations Act. That section enables disclosing entities to issue a particular form prospectus for securities in a class of securities that have been continuously quoted by ASX at all times in the 12 months prior to the issue of the prospectus. ASIC Class Order 00/195 enables sections 713 to apply to this issue of Shares and Options.

Apart from formal matters, a prospectus issued under Section 713 of the Corporations Act needs to contain information in relation to the terms and conditions of an offer of securities, the effect of an offer on an entity and the rights attaching to the securities being offered.

In addition, such a prospectus must also include information that has been excluded from a continuous disclosure notice where that information had not been disclosed due to the operation of the exceptions under the Listing Rules. However, such information is only required where it is information that investors and their professional advisers would reasonably require for the purposes of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of an entity and

the rights and liabilities attaching to the securities being offered. Further, such a prospectus must contain the information only to the extent to which it is reasonable for investors and their professional advisers to expect to find that information in the prospectus.

6.5 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.

Underwriting Agreement

By an agreement between RM Capital Pty Ltd (Underwriter) and the Company (Underwriting Agreement), the Underwriter has agreed to conditionally underwrite the Entitlement Issue for the Underwritten Amount and the Initial Placement.

The Underwriter will receive a fee of 6% on the Underwritten Amount, plus 6% of the \$200,000 to be raised under the Initial Placement plus 6% of any amount raised pursuant to the Placement Facility. The Underwriter is also entitled to reasonable out of pocket expenses in connection with the Offer.

The obligation of the Underwriter to underwrite the Entitlement Issue is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if any of the following events occurs before the completion of the Offer:

The Underwriter may terminate this Agreement by notice in writing to the Company, without cost or liability to the Underwriter, immediately if prior to Completion of the Offer:

(default) the Company is in default of any of the obligations under this Agreement or breaches any warranty, representation or undertaking given under this Agreement which:

- (a) is incapable of remedy or is not remedied by the date Valid Applications are required to be lodged in accordance with clause 5.2; and
- (b) in the reasonable opinion of the Underwriter has or is likely to have a material adverse effect on the Offer;

(material change) a material and adverse change occurs after the date of this Agreement in the:

- (a) financial position of the Company or a Subsidiary; or
- (b) the industry in which the Company or a subsidiary operates;

(contravention) the Company contravenes any of the following, which in the reasonable opinion of the Underwriter has a material adverse effect on the Offer:

- (a) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency;
- (b) its Constitution or another constituent document;
- (c) an Encumbrance or document which is binding on:
 - (i) the Company or a Subsidiary; or

(ii) an asset of the Company or a Subsidiary;

(solvency) an Insolvency Event occurs in relation to the Company or a Subsidiary;

(ASX Fall) if the ASX 200 falls by more than 5% from the date this agreement is signed by both parties;

(war) an outbreak of new hostilities or a state of war, whether declared or not, arises after the date of this Agreement, or an escalation of hostilities already in existence occurs, involving:

- (a) Australia;
- (b) Japan;
- (c) any member country of the European Community;
- (d) the United States of America;
- (e) any of the member states of the former Union of Soviet Socialist Republics;
- (f) Indonesia;
- (g) Peoples' Republic of China;
- (h) New Zealand;
- (i) Hong Kong;
- (j) Taiwan;
- (k) Singapore; or
- (l) Malaysia;

which in the reasonable opinion of the Underwriter has or is likely to have a material and adverse effect on the Offer;

(dishonest director) after the date of this Agreement a director of the Company or a Subsidiary commits or is convicted of a criminal offence or becomes a bankrupt which in the reasonable opinion of the Underwriter has or is likely to have a material and adverse effect on the Offer;

(Sub-underwriting) the underwriting is conditional on the underwriter obtaining satisfactory sub underwriters performing their obligations under their sub-underwriting agreements;

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

6.6 Interests of Directors

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

- i. the formation or promotion of the Company;
- ii. property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- iii. the Offer;

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 Offer.

Michael Krzus has been paid \$446,914 in salary and wages by the Company in the last two years.

Ventnor Capital Pty Ltd a company in which John Hannaford has a beneficial interest, has been paid \$613,474 plus GST in fees for services to the Company in the previous 2 years. The payments to Ventnor Capital relate to the provision of corporate advisory, consulting fees, company secretarial services, accounting and bookkeeping, secretarial services and the provision of office accommodation on normal commercial terms.

Berven Consultants Pty Ltd a company in which Bob Berven has a beneficial interest, has been paid \$295,579 in fees for services to the Company in the previous 2 years .

Drumgaghan Pty Ltd a company in which Jeremy Shervington has a beneficial interest, will be paid approximately \$25,000 plus GST for legal advice and assistance in relation to preparation of the Prospectus and has been (or is entitled to be) paid approximately \$139,774 plus GST in other fees for services to the Company in the previous 2 years.

Set out in the table below are details of each of the Directors' relevant interests in the securities of the Company as at the date of this Prospectus:

Director	Number of Shares	Number of Options
J D Shervington	4,250,977	367,577
J Hannaford	3,190,928	-
B Berven	4,189,054	-
M Krzus	361,850	5,000,000

All Directors have stated that they intend to take up their full Entitlement under the Offer.

An entity controlled by Mr Krzus has entered into a sub-underwriting agreement with the Underwriter pursuant to which the entity may elect to receive up to 5 million Shares and 2,500,000 Options under the Offer.

6.7 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$200,000 (pre GST) comprising ASIC fees, Underwriter's fees, legal and due diligence costs and printing and other administrative expenses, including ASX quotation fees.

The estimated expenses of the Offer are:

	\$
Underwriter's fees	153,000
ASIC fees	2,010
ASX fees	17,385
Advisers costs and other expenses	27,605
Total Estimated Costs	<u>200,000</u>

6.8 Rights Attaching to Shares

The rights attaching to Shares in the Company are:

- (a) set out in the Constitution, a copy of which is available for inspection at the registered office of the Company during normal business hours; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following is a summary of the principal rights of the holders of Shares in the Company.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the Chairman of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than five percent of the total voting rights of, or paid up value of, the Shares of all those shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of the Company's profits and may be declared by the Directors.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, other than a proper transfer under the ASTC Settlement Rules or where permitted by the Listing Rules.

The Company must not refuse to register or give effect to or delay or in any way interfere with a proper transfer of Shares or other securities under the ASTC Settlement Rules.

Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Liquidation Rights

Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

Despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

6.9 Terms of Issue of the Options

The terms and conditions of the Options to be issued pursuant to the Offer are as follows:

- (a) Each Option, when exercised, entitles the holder to subscribe for and be allotted one Share in the capital of the Company;
- (b) Each Option is exercisable on or before 5.00 pm Perth time on 31 August 2012;
- (c) The Options can be exercised in whole or in part;
- (d) The exercise price of each Option is \$0.05;
- (e) The Options may be transferred by the Optionholder.
- (f) The Optionholder will be permitted to participate in any new pro-rata issue of securities of the Company if it has exercised the Options prior to the relevant record date for any such issue and the Optionholder will be notified of any such issue in the manner required by the Listing Rules;

- (g) The Options do not confer on the holder any rights to participate in dividends until Shares are allocated pursuant to the exercise of the Options;
- (h) 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 the Optionholder which are not conferred on Shareholders;
- (i) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to the 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 issue;
- (j) Application will be made for the Options to be granted quotation by ASX; and
- (k) Subject to paragraph (i) 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.

6.10 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:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer;

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 Offer.

HLB Mann Judd has been paid \$8,000 in fees for services to the Company in the previous 2 years.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

6.11 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.

Jeremy Shervington has consented in writing to the references to him as Solicitor to the Offer in this Prospectus in the form and context in which they appear.

HLB Mann Judd have consented in writing to the references to them as auditors of the Company and to the reference to the annual financial report of the Company for the year ended 30 June 2009 and to the unaudited but reviewed 31 December 2009 consolidated balance sheet of the Company in Section 4.3 in the form and context in which they appear.

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:

- ◆ Security Transfer Registrars Pty Ltd as share registry for the Company;
- ◆ RM Capital Pty Ltd as underwriter to the Entitlements Offer;

6.12 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and an electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Forms. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic version of the 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.

SECTION 7

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 has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated this 2nd day of August 2010

Signed for and on behalf of
Emerald Oil & Gas NL
by Jeremy Shervington
Director

SECTION 8

Glossary of Terms

The following terms and abbreviations used in this Prospectus have the following meanings:

Adviser Options	10 million Options to be issued to Ochre Management Pty Ltd or its nominee on identical terms to New Options on successful completion of the Offer in connection with its role in procuring the execution of the Underwriting Agreement.
Applicant(s)	Person(s) who submit a valid Application Form pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares and Options pursuant to this Prospectus.
Application Form	Application Form accompanying this Prospectus.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.
ASTC Settlement Rules	The operating rules of ASTC.
ASX	ASX Limited ACN 008 624 691.
Board	The board of Directors.
Business Day	A day on which ASX is open for trading.
Capital Raising	The raising pursuant to the Offer as described in this Prospectus, which will raise \$2,550,000 (before costs).
CHESS	Clearing House Electronic Subregister System.
Closing Date	5.00pm Perth time on 3 September 2010
Company	Emerald Oil & Gas NL ACN 009 795 046
Constitution	The constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Directors	The Directors of the Company.
Eligible Shareholder	Means a registered holder of Shares on the Record Date whose registered address is in Australia or New Zealand.
Entitlement	The entitlement of an Eligible Shareholder to participate in the Entitlements Offer, as shown in the Entitlement and Acceptance Form.
Entitlements Offer and Offer	A pro rata non-renounceable offer to the Eligible Shareholders to subscribe for approximately 127,500,000 New Shares at the price of \$0.02 each based on the number of Shares held at the Record Date as more precisely defined in Section 1 and Entitlement Shares has a corresponding meaning.
Excluded Shareholder	A registered Shareholder on the Record Date whose registered address is not in Australia or New Zealand.

Existing Options	661,638 Options exercisable at 17.68 cents each expiring on 23 January 2011 – not quoted on ASX; 2,000,000 Options exercisable at 25 cents each expiring on 31 May 2011 – not quoted on ASX; 5,000,000 Options exercisable at 10 cents each expiring on 31 March 2014 – not quoted on ASX; 11,661,115 Options exercisable at 10 cents each expiring on 30 June 2012 – not quoted on ASX
Existing Shares	132,803,764 Shares on issue at the date of this Prospectus.
GST	Any tax, import or other duty raised on the supply of goods and services and imposed by the Commonwealth or a State or Territory of Australia.
Initial Placement / Placement	The issue of 10 million Shares at 2 cents each and 5 million free New Options as described in Section 1.22.
Issue Date	The date of allotment of the Shares and Options comprised in the Entitlements Offer.
Issue Price	\$0.02 being the issue price of each Share under the Offer.
Listing Rules	The official listing rules of ASX.
New Option	means Options each exercisable at 5 cents and expiring on 31 August 2012 which will be offered free on a 1 for 2 basis attaching to New Shares subscribed for under the Entitlements Offer, the Adviser Options, the Options to be issued under the Initial Placement and any Options to be issued pursuant to the Placement Facility, the terms of issue of which are set out in Section 6.9.
New Share	Means the Shares offered under the Entitlements Offer.
Official List	The official list of ASX.
Official Quotation	Means quotation of the Shares on ASX.
Option	Means an option to acquire a Share.
Placement Facility	The arrangement described in Section 1.21.
Prospectus	This Prospectus.
Quotation or Official Quotation	Means official quotation on ASX.
Record Date	5.00pm Perth time on 16 August 2010
Right	The Entitlement of an Eligible Shareholder to participate in the Entitlements Offer, as shown in their Entitlement and Acceptance Form.
SCH Business Rules	The SCH Business Rules as referred to in the Company's Constitution and which are now known as the ASTC Settlement Rules.
Section	A section of this Prospectus.
Share(s)	Fully paid ordinary share(s) in the Company.

Shareholder(s)	A holder of one or more Shares.
Share Registry	Security Transfer Registrars Pty Ltd.
Shortfall	The amount arrived at by multiplying 2 cents by the number of Entitlement Shares in respect of which valid Applications have not been received by the Company by 5.00 pm Perth time on the Closing Date.
Underwriter	RM Capital Pty Ltd ABN 74 065 412 820.
Underwriting Agreement	The underwriting agreement dated 30 July 2010 between the Company and the Underwriter and which is summarised in Section 6.5.
Underwritten Amount	Means \$2,550,000
WST	Western standard time, Australia.