



**EMERALD OIL & GAS NL**  
**ACN 009 795 046**

**NOTICE OF GENERAL MEETING  
AND  
EXPLANATORY MEMORANDUM**

**FOR A GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
1 APRIL 2011 AT  
52 ORD STREET,  
WEST PERTH, WESTERN AUSTRALIA AT 9.00 AM**

*You are encouraged to attend the Meeting, but if you cannot, you are requested to  
complete and return the enclosed Proxy Form without delay to  
PO Box 902, West Perth, Western Australia, 6872,  
or by facsimile to +618 9482 0505.*

**EMERALD OIL & GAS NL**

**ACN 009 795 046**

**NOTICE OF MEETING**

**NOTICE IS HEREBY GIVEN** that a general meeting of the members of Emerald Oil & Gas NL ("**Emerald**" or "**the Company**") will be held on the date and at the location and time specified below:

**DATE:** 1 April 2011  
**LOCATION:** 52 Ord St, West Perth Western Australia 6005  
**TIME:** 9.00 am

**BUSINESS**

The business to be transacted at the General Meeting is the proposal of the Resolutions set out below:

**RESOLUTION 1 ~ Approval of New Frontier Transaction**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That subject to the due passage of Resolution 2, for the purposes of ASX Listing Rules 7.1 and 11.1.2 and all other purposes, the Shareholders hereby authorise the allotment and issue of 125,000,000 Shares and the payment of the Cash Consideration to New Frontier Energy, Inc as payment for the Assets on the terms and conditions as set out in the Explanatory Memorandum."*

**Voting Exclusion Note:**

In accordance with ASX Listing Rules 7.3.8, 11.1.2 and 14.11, the Company will disregard any votes cast on this resolution by New Frontier, by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if Resolution 1 is passed and by any associate of those persons.

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**RESOLUTION 2 ~ Approval of Share Issue**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That subject to the due passage of Resolution 1 for the purposes of ASX Listing Rule 7.1 and all other purposes, the Shareholders hereby authorise the allotment and issue of up to 375,000,000 Shares at a price of no less than 4 cents per Share payable in cash to exempt offerees on the terms and conditions as set out in the Explanatory Memorandum."*

**Voting Exclusion Note:**

In accordance with ASX Listing Rules 7.3.8 and 14.11, the Company will disregard any votes cast on this resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company, if Resolution 2 is passed and by any associate of those persons.

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **RESOLUTION 3 ~ Approval of Share and Options Issue**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That subject to the due passage of Resolutions 1 and 2, for the purposes of ASX Listing Rule 7.1 and all other purposes, the Shareholders hereby authorise the allotment and issue of 15,000,000 Transaction Shares and 50 million Transaction Options to Pelagic Capital Investments Ltd and/or Ochre Management Pty Ltd and/or their nominees on the terms and conditions as set out in the Explanatory Memorandum."*

#### **Voting Exclusion Note:**

In accordance with ASX Listing Rules 7.3.8 and 14.11, the Company will disregard any votes cast on this resolution by Pelagic Capital Investments Pty Ltd, Ochre Management Pty Ltd, by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities in the Company if Resolution 3 is passed and by any associate of those persons.

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**DATED** 1 March 2011.



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**MIKE KRZUS**  
Managing Director

#### **NOTES**

A member entitled to vote at this General Meeting is entitled to appoint a proxy to attend and vote for the member at the General Meeting. A proxy need not be a member. If the member is entitled to cast 2 or more votes at the General Meeting the member may appoint 2 proxies. If a member appoints 2 proxies and the appointment does not specify the proportion or number of the members votes each proxy may exercise, each proxy may exercise half of the votes. A proxy form is attached at the back of this booklet.

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that the shareholding of each shareholder for the purposes of ascertaining voting entitlements for the Meeting will be as it appears in the share register of the Company at 7.00 pm (Sydney time) on 30 March 2011.

## EMERALD OIL & GAS NL

ACN 009 795 046

### EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a General Meeting of Shareholders of the Company to be held on 1 April 2011 at 52 Ord Street West Perth. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed.

## 1. BACKGROUND – RESOLUTIONS 1, 2 & 3

### 1.1 Background to New Frontier

New Frontier is a US listed oil and gas company (US OTCBB:NFEI) holding interests in approximately 65,000 gross acres of mineral leases, producing gas wells and gas production infrastructure in the Green River Basin area of North Western Colorado and South Western Wyoming.

The Assets are located in Routt and Moffatt Counties in North West Colorado and Carbon and Sweetwater Counties in South West Wyoming. The acreage covers the highly prospective Niobrara shale oil play, which is one of the largest continuous oil plays in the US. The area consists of two project areas, the Slater Dome coal bed methane field and the Focus Ranch Unit. Both areas have potential for oil and gas production from multiple horizons and are underlain by the highly prospective Niobrara shale.

In August 2009, Entek Energy Ltd, an oil and gas company listed on the Australian Securities Exchange, executed a Participation Agreement to earn up to 55% of New Frontier's Working Interest in New Frontier's Green River Basin assets with an expenditure of \$US12.5 million over 3 years. Entek is currently still earning its interest under the terms of this agreement and has been acquiring additional acreage to expand and consolidate the position of the GRBJV in an increasingly competitive environment.

| <u>Year</u> | <u>Amount</u> | <u>WI to be<br/>Earned</u> | <u>Total WI to<br/>be Earned</u> |
|-------------|---------------|----------------------------|----------------------------------|
| Year 1      | \$US 4.0m     | 20.31%                     | 20.31%                           |
| Year 2      | \$US 4.0m     | 16.25%                     | 36.56%                           |
| Year 3      | \$US 4.5m     | 18.43%                     | 55.00%                           |

### 1.2 MOU

On February 16, 2011, Emerald entered into a binding MOU to acquire New Frontier's remaining WI in the Assets and expects to hold a 45% WI after Entek completes its farmin obligations. On closing of the Transaction, EMR and Entek together will hold 100% of the working interest of the GRBJV. Entek is the Operator of the GRBJV.

On closing, Emerald will assume New Frontier's rights as farmor under the Participation Agreement and will therefore be carried for Entek's remaining farmin expenditure, which is believed to be in the order of \$US4 million to \$US5 million.

New Frontier holds between 84% and 99% of the working interests in mineral leases associated with the Focus Ranch Unit and a 66.67% WI in the Slater Dome CBM Field and pipeline infrastructure. Entek and Emerald will own this interest in 55% and 45% proportions, respectively, after the transaction and upon completion of Entek's farmin.

The essential terms of the MOU are:

**Assets to be Acquired pursuant to the MOU.**

The Assets to be acquired comprise:

- (i) New Frontier's leasehold interests located within Routt and Moffatt Counties, Colorado and Carbon and Sweetwater Counties, Wyoming;
- (ii) Any equipment or property used in connection with any oil and gas operations related to the Leases or leases pooled or utilized therewith;
- (iii) New Frontier's limited partnership and general partnership interest in Slater Dome Gathering, LLLP (the entity which owns and operates the 18 mile, 6" gas pipeline);
- (iv) New Frontier's rights and claims under the Participation Agreement;
- (v) New Frontier's claims against Slaterdome Gas, Inc pursuant to Case No. 2010 CV 65 filed in District Court in Moffatt County, Colorado; and
- (vi) New Frontier's claims against Slaterdome Gas, Inc pursuant to Case No. CV-10-202 filed in District Court in Carbon County, Wyoming.

Items (v) and (vi) above relate to ongoing litigation by New Frontier to recover approximately \$US1,300,000 of joint venture expenses allegedly owed to New Frontier.

With the Assets, EMR will acquire the "**Associated Liabilities**":

Associated Liabilities shall consist of any and all claims, obligations and liabilities, known or unknown, associated with, resulting from, or in any way connected to the Assets, with the exception of environmental liabilities arising from activities prior to the Transaction closing.

**Consideration payable for the Assets**

The consideration payable for the Assets pursuant to the MOU is the Cash Consideration being cash of approximately US\$10 million (exchange rate dependent) and the issue of 125 million Shares.

In addition the Company will be required to procure certain liquidity arrangements are in place in respect of those Shares.

**Other Terms of the MOU**

Other terms of the MOU include:

- EMR shall hold a shareholder meeting and receive approval for the Transaction and complete its due diligence of the Assets and Associated Liabilities within 45 days of execution

- Relevant parties shall not exercise any preferential rights under the Participation Agreement and other relevant agreements
- EMR shall raise the funds required and place them in an escrow account within 50 days of execution
- All representations and made by New Frontier are materially true and correct
- New Frontier shall demonstrate that it holds defensible title to at least 15,000 net working interest acres of mineral leases
- Closing shall take place no later than April 30, 2011 or the MOU will lapse, with all funds in escrow returned to EMR
- Subject to definitive agreements, as required, being entered into.

### **1.3 Overview GRBJV**

#### **Geology and Resource Potential**

##### Geology

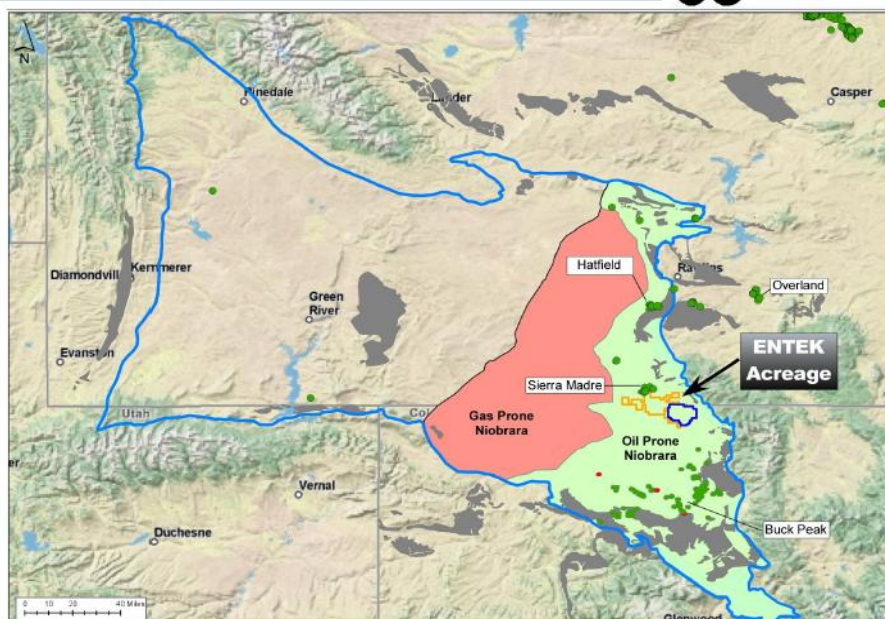
Three upper Cretaceous Oil Resource plays (Niobrara, Mancos and Carlile (Basal Niobrara)), coal seam gas resources and conventional gas opportunities exist in the GRBJV acreage. Of these, the main focus is the Niobrara continuous oil play.

The Niobrara continuous oil play consists of 900 to 1800 feet of Niobrara shale section, which includes three "benches", or layers of brittle rock, which are encased in shale. The brittle benches contain natural fracture systems which allow these zones to act as the oil reservoirs, which are charged by oil generated in the surrounding organic shales (source rock). This results in a self sourcing hydrocarbon system, where the type of hydrocarbon (e.g. gas or oil) is determined by the maturity of the source rock. All of the GRBJV acreage lies within the oil maturity window.

The Mancos and Carlile (Basal Niobrara) formations are oil bearing systems similar to the Niobrara. Local igneous intrusions (sills) provide the brittle and fractured reservoirs within these intervals. Igneous intrusions also present in the Niobrara and are expected to enhance its production potential, with appropriate well completion techniques are applied.

Coal Bed Methane (CBM) is currently being produced from the coal measures lying within the Mesaverde formation, which overlies the oil resource plays described above and is areally extensive across the GRBJV acreage.

Conventional gas reservoirs are also found in Frontier Sandstone, Deep Creek Sandstone and Dakota Sandstone formations.



*Entek acreage in prime location within Niobrara Oil Play Fairway*

12.

*Source: Entek Energy Limited AGM Presentation, November 2010*

## Resource Potential

On December 15, 2010, Entek announced to the ASX the results of an Independent Contingent Resource assessment of the Niobrara continuous oil and gas play including the Carlile. This indicated a gross acreage Contingent Resource Assessment of approximately 187 MMbbl oil and 191 Bcf gas, using a conservative 4% recovery factor.

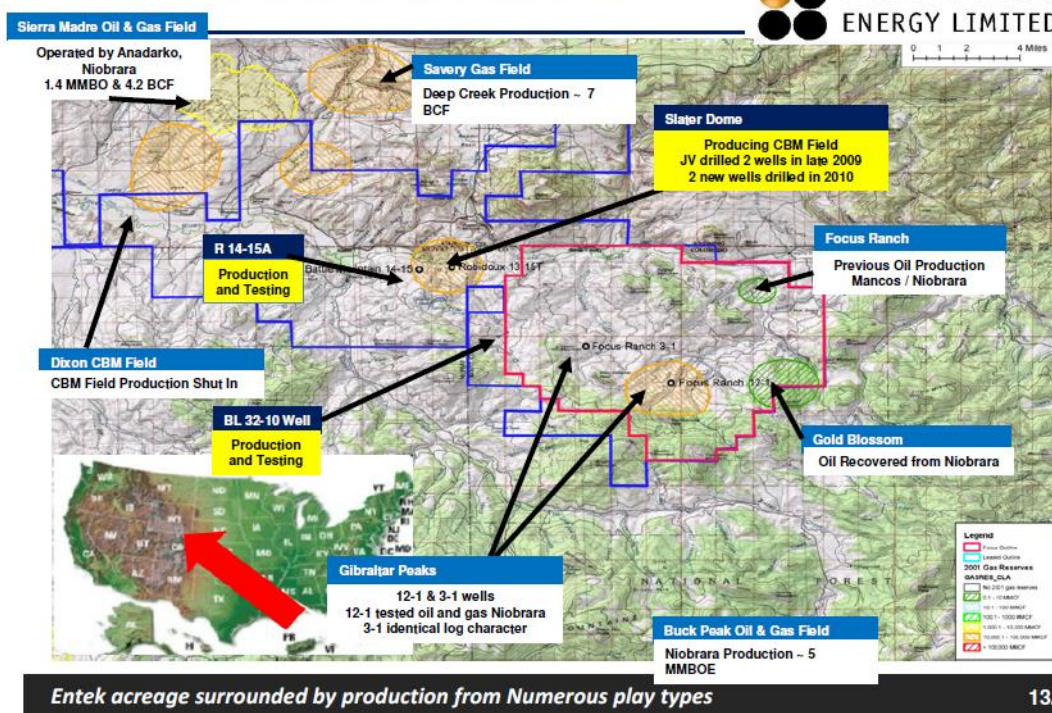
In their ASX announcement of 26 June, 2009, Entek reported:

"Certified Reserves in the Slater Dome CBM Field, including proven reserves of 15.3 BCF and 2P reserves of 35.2 BCF."

"additional resources as reported by NFEI of 234 BCF of 3P reserves associated with the Slater Dome Gas Field (500 well locations)."

As the date of this document, technical due diligence is ongoing and Emerald cannot yet independently confirm all of the resource and reserves volumes above. However, technical due diligence to confirm reserves and resource volumes will be completed prior to the Meeting.

## GREEN RIVER BASIN PORTFOLIO



Source: Entek Energy Limited AGM Presentation, November 2010

## Operations and Planned Activities

The Current production operations consist of:

1. Coal seam gas production - approximately 500 Mcfd produced from approximately 12 wells through the Slater Dome gathering system and exported via an 18 mile 6" gas pipeline connected to a sales point on the greater Rocky Mountain natural gas pipeline at Baggs, Wyoming. The pipeline has a design capacity of approximately 18 MMscfd. This production infrastructure is being operated as part of the Slater Dome Gas Field CBM operations.

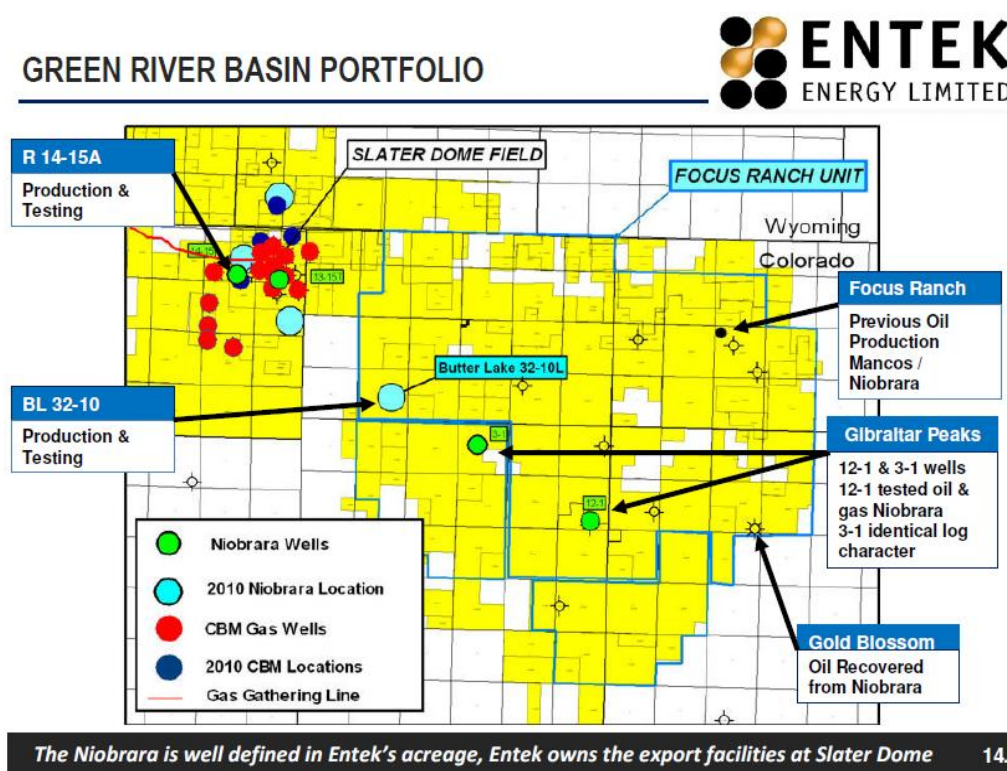
2. Niobrara oil production from three vertical oil wells in the Focus Ranch Unit

|                        |                                                |
|------------------------|------------------------------------------------|
| Butter Lake 32-10      | 25 bopd                                        |
| Battle Mountain 14-15A | 12 bopd (damaged wellbore)                     |
| Robidoux 13-15T        | intermittent oil recoveries (damaged wellbore) |

Additional Niobrara production potential from two other existing wells in the Focus Ranch Unit is awaiting a connection to the gas pipeline for associated gas before being placed on production. One of these wells, Focus Ranch 12-1, flow tested 240 bopd and 2.75 MMcfd. The other well, Focus Ranch 3-1, has similar log characteristics.

Entek is currently developing the 2011 well operations program involving existing well re-entries and drilling new wells and are in the process of planning and permitting required field activities. The focus of the program will be to gather data required to unlock the Niobrara shale oil play potential with sophisticated shale gas/oil drilling and completion techniques being applied to similar shale plays in the US. Plans to evaluate and test other oil potential, e.g in the Mancos Shale, and operations to optimise CBM production will also be included.

Emerald plans to work closely with ETE to appraise and develop the potential of the Niobrara and other oil and gas resources in the GRBJV and to expand its acreage position as appropriate. A work program will be agreed once the Transaction closes.



*Source: Entek Energy Limited AGM Presentation, November 2010*

## Future Development

Based on Niobrara field development in the DJ basin to the east and other shale oil plays such as the Bakken, the Niobrara in the GRBJV area will almost certainly require horizontal wells to fully realise the potential of the resource. Sophisticated drilling and completion techniques involving long horizontal sections and multiple hydraulic fracture stimulations will need to be designed and optimised specifically for the particular characteristics of the Niobrara in the GRBJV area. Essential data required to successfully plan and execute such wells will be gathered during the 2011 operating season.

Future developments will be focused on unlocking the potential of the Niobrara oil play with appropriately designed wells and will be guided by well performance and other information from the existing Niobrara wells and the results of 2011 field activities.

## Economics

With very little initial Niobrara production data being available at this stage from the few vertical wells completed to date, production Niobrara performance cannot yet be reliably estimated. As the production potential of the Niobrara in the Green River Basin is yet to be demonstrated with horizontal wells, cashflow forecasts are inappropriate.

At this stage in its development cycle (i.e. prior demonstrated production performance from initial Niobrara wells drilled with current shale drilling and

completion techniques) resource play values in the Green River Basin are driven by acreage prices. Acreage values vary significantly based on a number of factors including amount of acreage, size of lease blocks, location, contiguity, etc, and change quickly in a competitive environment.

Acreage values typically range between several hundred to several thousand dollars per acre, depending on circumstances and the local competitive environment, with wide variations seen in active areas.

With the recent success of Niobrara horizontal drilling in the DJ Basin to the east, mineral leasing in the Green River Basin is becoming extremely competitive, with several large independents and multi-national oil companies aggressively competing to establish their acreage position in this emerging play area.

#### **1.4 Capital Raising**

In order to pay the Cash Consideration EMR intends to issue up to 250 million Shares at no less than 4 cents each to raise \$10 million.

In order to supplement its working capital EMR also proposes to issue no more than 125 million Shares at no less than 4 cents each to raise \$5 million.

These are the Shares the subject of Resolution 2.

The Transaction Shares and Transaction Options the subject of Resolution 3 are to be issued to the Transaction Advisers as consideration for, amongst other things, the Transaction Advisers' obligations to use all reasonable endeavours to procure the raising of the above new equity.

#### **1.5 Capital Structure**

The capital structure of the Company will, assuming the maximum number of Shares are issued pursuant to Resolution 2, alter as a result of the proposed Transaction as follows:

| <b>Current<br/>Capital<br/>Structure</b> | <b>Issue of<br/>Shares<br/>under<br/>Resolution<br/>1</b> | <b>Issue of<br/>Shares<br/>under<br/>Resolution<br/>2</b> | <b>Issue of<br/>Shares<br/>under<br/>Resolution<br/>3</b> | <b>Issue of<br/>Options<br/>under<br/>Resolution<br/>3</b> | <b>Capital<br/>Structure<br/>following<br/>Transaction</b> |
|------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|
| <b>Shares</b>                            |                                                           |                                                           |                                                           |                                                            |                                                            |
| <b>270,303,764</b>                       | 125,000,000                                               | 375,000,000                                               | 15,000,000                                                | -                                                          | <b>785,303,764</b>                                         |
| <b>Options</b>                           |                                                           |                                                           |                                                           |                                                            |                                                            |
| <b>97,411,115</b>                        | -                                                         | -                                                         | -                                                         | 50,000,000                                                 | <b>147,411,115</b>                                         |

#### **1.6 Pro Forma Balance Sheet**

Below is a pro forma balance sheet showing the impact of the Transaction based on the various assumptions set out below.

|                                            |                  |                    |                   |
|--------------------------------------------|------------------|--------------------|-------------------|
| <b>Emerald Oil &amp; Gas NL</b>            |                  |                    |                   |
| <b>Pro-forma balance sheet</b>             |                  |                    |                   |
|                                            |                  |                    |                   |
|                                            | <b>Unaudited</b> |                    | <b>Pro-forma</b>  |
|                                            | <b>31-Dec-10</b> | <b>Adjustments</b> | <b>31-Dec-10</b>  |
| <b>ASSETS</b>                              |                  |                    |                   |
| <b>Current assets</b>                      |                  |                    |                   |
| Cash and cash equivalents                  | 1,434,525        | 5,000,000          | 6,434,525         |
| Trade and other receivables                | 44,864           |                    | 44,864            |
| Other financial assets                     | 43,784           |                    | 43,784            |
| <b>Total current assets</b>                | <b>1,523,173</b> |                    | <b>6,523,173</b>  |
| <b>Non-current assets</b>                  |                  |                    |                   |
| Plant and equipment                        | 19,004           |                    | 19,004            |
| Exploration and evaluation assets          | 3,749,418        | 15,000,000         | 18,749,418        |
| Oil and gas assets                         | 185,205          |                    | 185,205           |
| <b>Total non-current assets</b>            | <b>3,953,627</b> |                    | <b>18,953,627</b> |
| <b>TOTAL ASSETS</b>                        | <b>5,476,800</b> |                    | <b>25,476,800</b> |
| <b>LIABILITIES</b>                         |                  |                    |                   |
| <b>Current liabilities</b>                 |                  |                    |                   |
| Trade and other payables                   | 163,316          | 300,000            | 463,316           |
| <b>Total current liabilities</b>           | <b>163,316</b>   |                    | <b>463,316</b>    |
| <b>TOTAL LIABILITIES</b>                   | <b>163,316</b>   |                    | <b>463,316</b>    |
| <b>NET ASSETS</b>                          | <b>5,313,484</b> |                    | <b>25,013,484</b> |
| <b>EQUITY</b>                              |                  |                    |                   |
| Issued Capital                             | 18,105,759       | 19,700,000         | 37,805,759        |
| Reserves                                   | -235,464         | 1,000,000          | 764,536           |
| Accumulated losses                         | -12,843,779      | -\$1,000,000       | -13,843,779       |
| Total equity attributable to owners of the | 5,026,516        |                    | 24,726,516        |
| Non-controlling interest                   | 286,968          |                    | 286,968           |
| <b>TOTAL EQUITY</b>                        | <b>5,313,484</b> |                    | <b>25,013,484</b> |

#### Description of Adjustments to the Pro Forma Balance Sheet

- Assumes all Resolutions passed
- Assumes all Shares issued at \$0.04
- AUD:USD exchange rate of 1:1
- Assumes Completion occurs
- Assumes a \$1 million valuation and related impact for the issue of the Transaction Options

### 1.7 Effect of Resolutions

The Directors are of the opinion that the proposed Transaction represents a significant opportunity for the Company and presents Shareholders with significant potential value.

In the event that Shareholders do not approve of Resolutions 1 and 2 the Company will fail to meet the terms of the MOU and the Transaction will not proceed.

If the Transaction is not approved then the Company will continue to develop its existing business. The Directors may also review other projects and acquisition opportunities that are considered to be in the interests of the Company and Shareholders.

## **2. REGULATORY REQUIREMENTS - RESOLUTION 1**

### **2.1 Listing Rules Chapter 7**

Listing Rule 7.1 limits the capacity of the Company to issue securities without the approval of its Shareholders. In broad terms, that rule provides that a Company may not, within a 12 month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the 12 month period unless the issue is approved by Shareholders or the issue otherwise comes within one of the exceptions to Listing Rule 7.1.

The securities the subject of Resolution 1, particularly when aggregated with the securities the subject of Resolutions 2 and 3 would exceed the 15% Rule.

Resolution 1, therefore, is designed to fulfil the requirements of Listing Rule 7.1.

Listing Rule 7.3 contains requirements as to the contents of a Notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in the Explanatory Memorandum for that purpose:

- (a) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person: the maximum number of securities the subject of Resolution 1 is 125 million Shares.
- (b) The date by which the entity will issue the securities: the securities the subject of Resolution 1 will be allotted/issued no later than three months after the date of the Meeting or such later date as permitted by any waiver granted by ASX and will be issued on the one date.
- (c) The issue price of the securities: the securities the subject of Resolution 1 will be treated as having been issued at a price of 4 cents each in part consideration (together with a payment of the Cash Consideration) for the purchase of the Assets.
- (d) The names of the allottee: The allottee is New Frontier.
- (e) The terms of the securities: The Shares the subject of Resolution 1 will be issued as ranking equally with all other Shares on issue.
- (f) The intended use of the funds raised: no funds will be raised from the issue of the securities the subject of Resolution 1.
- (g) A voting exclusion statement: a voting exclusion statement is set out in the Notice of Meeting.

### **2.2 Listing Rule 11.1.2**

To the extent that the acquisition of the Assets combined with the items of business contemplated by Resolutions 2 and 3 constitute the Company undergoing a significant change to the nature or scale of its activities, Chapter 11 of the

Listing Rules requires that certain steps are required to be taken. The issue of securities contemplated by Resolution 1 (Resolution 2 is subject to the passage of Resolution 1) is being submitted for approval, therefore, also for the purposes of Listing Rule 11.1.2 which provides that: "If ASX requires the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting. The notice of meeting must include a voting exclusion statement.". These requirements have been complied with in this Notice of Meeting and Explanatory Memorandum.

In summary the change will involve the Company adding to the existing oil and gas exploration and production projects owned by the Company by acquiring the Assets, participating in the conduct of exploration in respect of the Assets, increasing its cash reserves by raising \$5 million (before expenses) via the issue of 125 million new Shares, expanding its capital structure via the issue of securities described in Resolutions 1, 2 and 3 and expanding its Board by the appointment of a person (as yet unidentified) with experience in US shale gas.

### **3. RESOLUTION 2 – Approval of Share Issue**

#### **3.1 Background**

As noted above, part of the consideration payable for the Assets is the Cash Consideration. 250 million of the Shares the subject of Resolution 2 are to raise the Cash Consideration. The remaining 125 million Shares the subject of Resolution 2 are to raise \$5 million in working capital. All of the Shares will be issued to exempt offerees.

#### **3.2 Regulatory Requirements – Resolution 2**

##### **Listing Rules Chapter 7**

As noted above Listing Rule 7.1 limits the capacity of the Company to issue securities without the approval of its Shareholders.

The securities the subject of Resolution 2, particularly when aggregated with the securities the subject of Resolutions 1 and 3 would exceed the 15% Rule.

Resolution 2, therefore, is designed to fulfil the requirements of Listing Rule 7.1.

Listing Rule 7.3 contains requirements as to the contents of a Notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in the Explanatory Memorandum for that purpose:

- (a) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person: the maximum number of securities the subject of Resolution 2 is 375 million Shares.
- (b) The date by which the entity will issue the securities: the securities the subject of Resolution 2 will be allotted/issued no later than three months after the date of the Meeting or such later date as permitted by any waiver granted by ASX and will be issued on the one date.
- (c) The issue price of the securities: the securities the subject of Resolution 2 will be issued in consideration for the payment of no less than 4 cents per Share in cash.
- (d) The names of the allottee: The allottees are not yet known, but will be investors who are exempt offerees procured by the Transaction Advisers. None of the allottees will be "related parties" of the Company.

- (e) The terms of the securities: The Shares the subject of Resolution 2 will be issued as ranking equally with all other Shares on issue.
- (f) The intended use of the funds raised: \$10 million of the funds raised will form the Cash Consideration and will be paid to New Frontier. \$5 million of the cash raised will be added to the existing cash resources of the Company to form working capital of the Company.
- (g) A voting exclusion statement: a voting exclusion statement is set out in the Notice of Meeting.

#### **4. RESOLUTION 3 – Approval of Transaction Shares and Transaction Options Issue**

##### **4.1 Background**

As noted in Section 1.4 the Company has agreed to issue the Transaction Shares and the Transaction Options to the Transaction Advisers. The issue of these securities is subject to completion of the Transaction occurring.

##### **4.2 Regulatory Requirements – Resolution 3**

###### **Listing Rules Chapter 7**

As noted above, Listing Rule 7.1 limits the capacity of the Company to issue securities without the approval of its Shareholders.

The securities the subject of Resolution 3, particularly when aggregated with the securities the subject of Resolutions 1 and 2 would exceed the 15% Rule.

Resolution 3, therefore, is designed to fulfil the requirements of Listing Rule 7.1. Also if the issue of Transaction Options the subject of Resolution 3 is approved by Shareholders the Shares, when issued on exercise of those Transaction Options, will not be included within the 15% limitation contained in Listing Rule 7.1.

Listing Rule 7.3 contains requirements as to the contents of a Notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in the Explanatory Memorandum for that purpose:

- (a) The maximum number of securities to be issued (if known) or the formula for calculating the number of securities to be issued to the person: the maximum number of securities the subject of Resolution 3 is 15 million Shares and 50 million Transaction Options.
- (b) The date by which the entity will issue the securities: the securities the subject of Resolution 3 will be allotted/issued no later than three months after the date of the Meeting or such later date as permitted by any waiver granted by ASX and will be issued on the one date.
- (c) The issue price of the securities: the securities the subject of Resolution 3 will be issued as consideration for the services of the Transaction Advisers in connection with the Transaction. The Transaction Shares will be treated as having been issued at 4 cents each.
- (d) The names of the allottee: The allottees are the Transaction Advisers or their respective nominees in such proportions as the Transaction Advisers determine between themselves. None of the allottees will be related parties of the Company.

- (e) The terms of the securities: The Shares the subject of Resolution 3 will be issued as ranking equally with all other Shares on issue. The holders of those Shares will enter into voluntary escrow agreements with the Company for 12 months from the date of issue. The terms and conditions of the Transaction Options the subject of Resolution 3 are set out in Section 4.3.
- (f) The intended use of the funds raised: no funds will be raised from the issue of the securities the subject of Resolution 3, except that if and when any of the Transaction Options are exercised the exercise price being 5 cents per Transaction Option will be payable in cash.
- (g) A voting exclusion statement: a voting exclusion statement is set out in the Notice of Meeting.

### **4.3 Terms and Conditions of the Options**

The terms and conditions of the Transaction Options to be issued pursuant to Resolution 3 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) The Options can be exercised in whole or in part, and if exercised in part multiples of 200,000 must be exercised on each occasion;
- (c) Each Option is exercisable at 5 cents payable in cash;
- (d) Each Option is non-transferable except with the prior written consent of the Board, such consent not to be unreasonably withheld or delayed;
- (e) Each Option will expire 5.00 pm Perth time on 3 years from the date of issue;
- (f) The Optionholder cannot participate in any new issue of securities of the Company to Shareholders without exercising of the relevant Options in which case the Optionholder will be afforded the period of at least 9 Business Days (as defined in Listing Rules) prior to and inclusive of the record date to determine entitlements to the issue to exercise the relevant Options;
- (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 not 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.

## 5. DEFINITIONS

In this Explanatory Memorandum:

**"Assets"** means the assets described in Section 1.2.

**"ASX"** means ASX Limited ACN 008 624 691.

**"AUS\$" or "A\$"** means a dollar in the currency of Australia.

**"Board"** means the board of Directors of the Company as constituted from time to time.

**"bopd"** means barrels of oil per day.

**"Cash Consideration"** means \$US15 million minus the USD value of AUS\$5 million calculated on the Completion Date.

**"CBM"** means coal bed methane.

**"Company" or "EMR"** means Emerald Oil & Gas NL ACN 009 795 046.

**"Completion Date"** means the date of completion of the Transaction.

**"Corporations Act"** means the Corporations Act 2001 (Cth).

**"Director"** means a director of the Company.

**"Entek" or "ETE"** means Entek Energy Limited ABN 43 108 403 425.

**"exempt offerees"** means persons who in respect of an offer of Shares are investors who fall within one or more of Sections 708(8), 708(10), 708(11) or 708(12) of the Corporations Act.

**"Explanatory Memorandum"** means this Explanatory Memorandum created pursuant to the Participation Agreement.

**"GRBJV"** means Green River Basin Joint Venture created pursuant to the Participation Agreement.

**"Listing Rules"** means the official listing rules of the ASX.

**"Mcfcd"** means thousand standard cubic feet of gas per day.

**"MMcfcd"** means million standard cubic feet of gas per day.

**"MMbbl"** means million barrels of oil.

**"Meeting"** means the meeting of Shareholders convened by this Notice.

**"MOU"** means a memorandum of understanding dated 16 February 2011 between the Company and New Frontier.

**"New Frontier"** means New Frontier Energy, Inc. a company incorporated in the United States of America.

**"Notice"** and **"Notice of Meeting"** means the notice of meeting to which this Explanatory Memorandum is attached.

**"Ochre"** means Ochre Management Pty Ltd.

**"Participation Agreement"** means an agreement entered into between New Frontier and Entek GRBLLC on or about August 10, 2009.

**"Pelagic"** means Pelagic Capital Investments Ltd incorporated in the United States of America.

**"Resolution"** means a resolution set out in this Notice.

**"Section"** means a section of this Explanatory Memorandum.

**"Share"** means an ordinary fully paid ordinary share in the capital of the Company and **"Shareholder"** has a corresponding meaning.

**"Transaction"** means the acquisition of the Assets and the associated capital raising and issue of securities.

**"Transaction Advisers"** means Ochre and Pelagic.

**"Transaction Options"** means the 50 million options to subscribe for Shares described in Section 4.3.

**"Transaction Shares"** means the 15 million Shares to be issued to the Transaction Advisers described in Section 4.1.

### **Competent Persons Statement**

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Mike Krzus, Chief Executive Officer and Managing Director of Emerald Oil and Gas NL, who has consented to the inclusion of that information in the form and context in which it appears. Mr Krzus has 29 years experience in petroleum engineering and the petroleum industry, both in Australia and internationally. He holds a Bachelor of Science Petroleum Engineering 1982 from Tulsa University and a Diploma of Oil and Gas Technology from the British Columbia Institute of Technology.

# PROXY FORM

## Emerald Oil & Gas NL

ACN 009 795 046

## All correspondence to:

Emerald Oil & Gas NL

PO Box 902

West Perth WA 6872

Phone: 08 9482 0510

Facsimile: 08 9482 0505

I/We

(insert name of holder – please print)

Of

(insert address of holder – please print)

## Appointment of Proxy

I/We being member/s of Emerald Oil & Gas NL and entitled to attend and vote hereby appoint

☐

The Chairman  
of the Meeting  
(mark with an 'X')

OR

☐

Write here the name of the person  
you are appointing if this person **is  
someone other than** the Chairman  
of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Extraordinary Meeting of Emerald Oil & Gas NL to be held at 52 Ord St, West Perth, Western Australia on 1 April, 2011 at 9.00 am and at any adjournment of that meeting.

### IMPORTANT: FOR RESOLUTIONS 1 TO 3 BELOW

☐

If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on Resolutions 1 to 3 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that Item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 1 to 3 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 1 to 3.

## Voting directions to your proxy - please mark

## X to indicate your directions

### Ordinary business

For Against Abstain\*

**Resolution 1** Approval of New Frontier Transaction

☐ ☐ ☐

**Resolution 2** Approval for Share Issue

☐ ☐ ☐

**Resolution 3** Approval for Share and Options Issue

☐ ☐ ☐

\* If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## PLEASE SIGN HERE

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

### Individual or Securityholder 1

**Sole Director and Sole Company  
Secretary**

### Securityholder 2

**Director**

### Securityholder 3

**Director/Company  
Secretary**

Contact Name

Contact Daytime  
Telephone

Date

# How to complete the Proxy Form

## 1. Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

## 2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

## 3. Votes on Item of Business

You may direct your proxy how to vote by placing a mark in one of the boxes. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted by inserting the percentage or number of securities you wish to vote in the appropriate box. If you do not mark any of the boxes, your proxy may vote as he or she chooses. If you mark more than one your vote will be invalid.

## 4. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

## 5. Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting scheduled for 9.00 am on 1 April 2011. Any Proxy Form received after that time (9.00am 30 March 2011) will not be valid for the scheduled meeting.

## Documents may be lodged:

|                                                                                                                                                  |           |                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------|
| <i>By mail or in person –</i><br>Emerald Oil & Gas NL<br>Suite 2, 12 Parliament Place<br>West Perth WA 6005<br><br>PO Box 902, West Perth, 6872. | <b>OR</b> | <i>By facsimile –</i><br>Within Australia (08) 9482 0505<br>Outside Australia +618 9482 0505 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------|