



**Interim Financial Report
for the half year ended 31 December 2011**

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This half year financial report covers the Consolidated Entity consisting of Emerald Oil & Gas NL and its subsidiaries. The financial report is presented in Australian dollars.

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

Emerald Oil & Gas NL
Suite 2, 12 Parliament Place
West Perth WA 6005

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report on pages 2 to 6.

Corporate Information

Directors:

Jeremy Shervington
Chairman

McAndrew Rudisill
Non Executive Director

Mike Krzus
Managing Director

Nathan Featherby
Non Executive Director

John Hannaford
Non Executive Director

Morgan Barron
Company Secretary

Registered & Principal Office:

Suite 2, 12 Parliament Place
WEST PERTH WA 6005
Telephone: + 618 9482 0510
Facsimile: + 618 9482 0505

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Auditors:

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitors - Perth:

Jeremy Shervington and Associates
52 Ord Street
WEST PERTH WA 6005

Home Securities Exchange:

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

Share Registry:

Security Transfer Registrars Pty Ltd
PO Box 535
APPLECROSS WA 6953
Telephone +618 9315 2333

Directors' Report

Your Directors have pleasure in submitting their report on Emerald Oil & Gas NL and its subsidiaries hereafter ('the Group' or 'the Consolidated Entity') for the half-year ended 31 December 2011.

DIRECTORS

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

Jeremy Shervington	Non Executive Chairman
Mike Krzus	Managing Director
John Hannaford	Non Executive Director
McAndrew Rudisill	Non Executive Director (appointed 3 October 2011)
Nathan Featherby	Non Executive Director (appointed 3 October 2011)
Laurie Shervington	Alternate Director (resigned 6 March 2012)

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

PRINCIPAL ACTIVITIES

The principal activities of the Group were the exploration and development of oil and gas properties in the United States of America (USA) and Australia. There were no changes to the principal activities during the period.

RESULTS

The net loss of the Group for the half-year ended 31 December 2011 after income tax amounted to \$2,048,050 (2010: \$2,294,379).

OPERATING AND FINANCIAL REVIEW

USA Projects

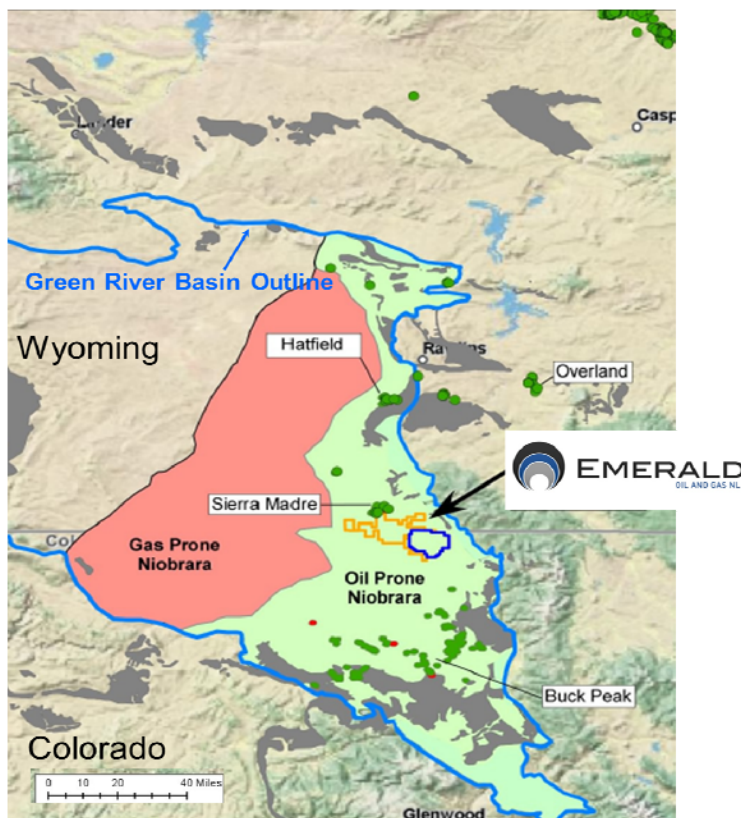
Green River Basin Joint Venture

Emerald holds a 45% working interest in the Green River Basin JV (GRBJV.) The GRBJV holds approximately 86,000 gross acres (32,000 net EMR) over a highly prospective Niobrara Shale oil play, a partially developed Coal Bed Methane field and an 18 mile long gas gathering pipeline.

A three well appraisal drilling program that commenced last July was successfully concluded at the beginning of December. The appraisal drilling program yielded a large amount of valuable technical information which will now be used for planning future wells.

Directors' Report

Green River Basin Joint Venture (continued)



The wells intersected multiple intensely fractured zones above, below and within four prospective oil pay zones or "benches" in the Niobrara shale. The entire Niobrara shale section and large shale sections above and below the Niobrara are oil charged.

Significantly more prospective pay zones requiring separate frac treatments were encountered than originally anticipated. Five small experimental frac designs were trialled in the lowermost section of the wells before the remaining 20+ prospective individual zones in the wells were perforated and treated with small crude oil breakdown treatments in an attempt to establish communication with the wells' natural fracture systems before operations shut down for the season.

The wells are currently producing approximately 10 bopd of 40°API high quality light oil, with no water production and a Gas Oil Ratio (GOR) of between 1,000 and 2,000 Scf/bbl.

The wells were designed to gather technical information and experiment with different frac treatments in preparation for the 2012 drilling program and only small experimental frac treatments in the less prospective, lower zones were completed due to operational time constraints. Low production rates were not unexpected. However, the most potentially prospective zones in the wells remain unstimulated, with no hydraulic fracture treatments yet attempted. These zones will be a focus of the 2012 well program.

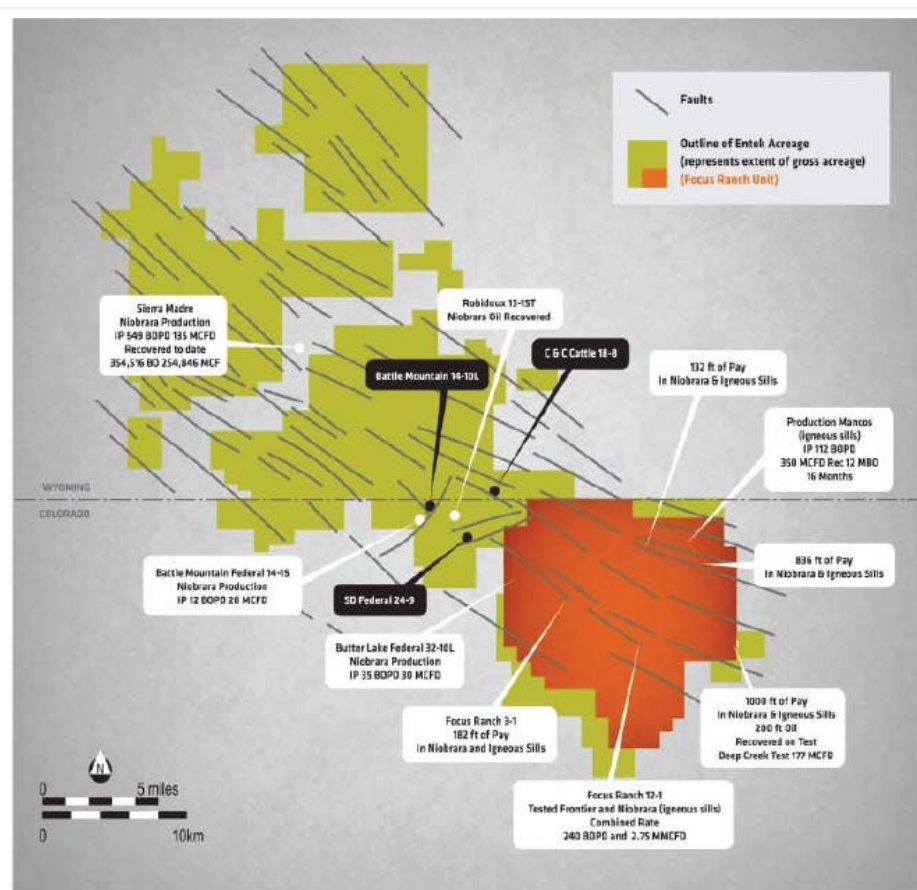
Directors' Report

Green River Basin Joint Venture (continued)

Quicksilver Resources and other competitors in an area some 25 miles to the south of EMR's Niobrara shale oil acreage in the Green River Basin were more successful with their frac trials in 2011 and have announced significant flow rates from wells using different frac treatments and horizontal drilling. Quicksilver completed a drilling program consisting of 6 vertical wells and 1 horizontal well. They recently announced initial production results including over 500 bopd from their horizontal well and around 100 bopd from single, fraced, Niobrara zones in their vertical wells.

The Company is confident that similar results will be obtained when these techniques are applied to GRBJV wells, as key geological characteristics of the Niobrara shale are continuous over the area. Analogous production performance could be expected from GRBJV wells once horizontal drilling and similar frac treatments are applied.

On 22 December 2011, Entek announced it had entered into an agreement to acquire an additional 28,000 gross (19,000 net) lease acres adjacent to the GRBJV's current lease holding for a consideration of \$2.5m, subject to due diligence. On closing, the GRBJV would have over 110,000 gross acres (91,000 net acres). Under the terms of the Area of Mutual Agreement (AMI), Entek will be obliged to offer the Company a 45% interest in the acreage acquired for a proportional consideration. The Company intends to exercise its rights to acquire the additional acreage and will then hold in excess of 40,000 net acres in the GRB. The map below, from Entek's 22 December ASX announcement shows the geographic extent of the GRBJV's acreage position including the new acreage.

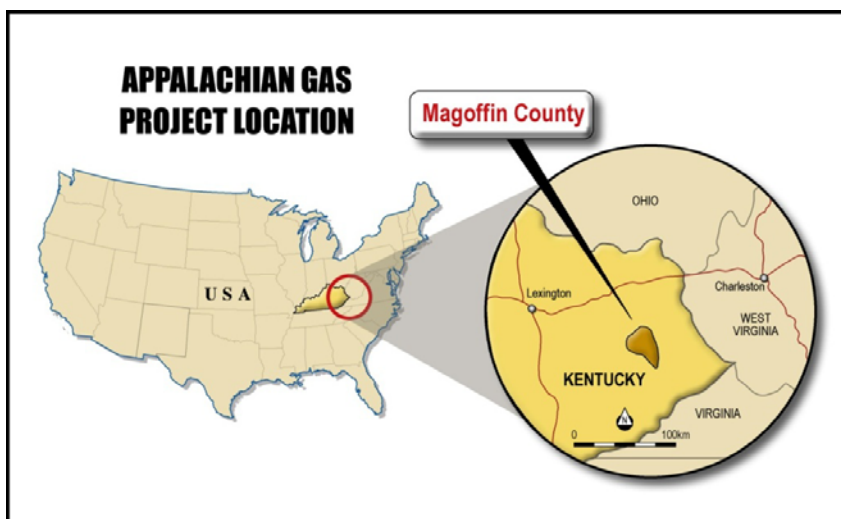


Directors' Report

Appalachian Gas

Emerald's Appalachian gas operations are operated through Kentucky Energy Partners, a company 75% owned by Emerald. KEP currently holds 2500 lease acres with 29 existing wells potentially capable of gas production, an 8 mile long gas gathering pipeline and gas conditioning/compression facilities.

LOCATION



KEP wells with low levels of H₂S are currently tied into the Beetree pipeline. Compression and small scale sour gas treatment to remove H₂S from the gas stream allows Beetree gas production to be sold into the gas sales system. Gas production is currently approximately 200 Mcfd through KEP's existing facilities.

A new sour gas plant with the ability to process higher H₂S gas from all KEP wells is being commissioned by another Operator in the area and KEP is currently finalising gas processing and transportation terms. Over 2 MMcfd wellhead production potential has been identified to date from flow tests on KEP wells.

CORPORATE

At 31 December 2011 the Group had \$924,208 of cash on hand.

The net loss for the period after tax was \$2,048,050 (2010: \$2,294,379).

Directors' Report

EVENTS SUBSEQUENT TO THE REPORTING DATE

Since the reporting date, the Group has acquired 10,500 net lease acres located in Dunn County, North Dakota, United States of America, including a 7.5% interest in a producing oil well for a consideration of US\$11.85 million. This acquisition was financed through a secured debt facility of US\$15 million with a private US investor. The term of the loan is 6 months and it is fully secured by Emerald's Dunn County and Green River Basin assets with interest in the form of a small overriding royalty on the Dunn County leases. Discussions are underway with a number of potential funding providers and it is expected that this loan will be repaid with the proceeds raised as a result of those discussions. While the ultimate outcome of those discussions is not yet certain, the Group expects to conclude on alternative financing arrangements and expects to have sufficient resources to meet its ongoing funding requirements.

As at 14 March 2012, the Group has raised \$1,162,436 of equity capital via an issue of ordinary shares at \$0.03. An additional 50,000,000 shares at an issue price of \$0.03 (\$1,500,000) will be allotted in March 2012. The funds raised will be used to meet the ongoing working capital requirements of the Group.

As at the date of this report, there have been no events occurring subsequent to the reporting date, other than the matters above, which would have a material impact on the Group or require disclosure in this Interim Financial Report.

AUDITOR

HLB Mann Judd remains in office as at the date of this report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the interim financial report. This independence Declaration is set out on page x and forms part of this directors' report for the half year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



M. Krzus
Managing Director
Perth
14 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Emerald Oil and Gas NL for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
14 March 2012



L DI GIALLONARDO
Partner, HLB Mann Judd

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
Gas revenues		147,351	12,690
Cost of sales		<u>(1,476,425)</u>	<u>(8,447)</u>
Gross (loss) / profit		(1,329,074)	4,243
Other income – settlement amount		373,762	-
Financial administration, insurance and compliance costs		(327,617)	(343,968)
Consulting and contracting expenses		(454,049)	(364,212)
Depreciation and depletion expense		(1,003)	(2,510)
General administration expenses		(186,237)	(118,075)
Impairment of exploration and evaluation costs		<u>-</u>	<u>(1,500,000)</u>
Results from operating activities		(1,924,218)	(2,324,522)
Finance income		85,266	12,175
Share of loss of equity accounted investees		<u>(209,098)</u>	<u>-</u>
Loss before income tax benefit		(2,048,050)	(2,312,347)
Income tax benefit		-	17,968
Loss for the period		(2,048,050)	(2,294,379)
Other comprehensive income			
Exchange differences on translation of foreign operations		1,340,659	(137,001)
Total other comprehensive income / (loss) for the period		1,340,659	(137,001)
Total comprehensive loss for the period		(707,391)	(2,431,380)
Loss for the period is attributable to:			
Owners of the company		(2,042,997)	(2,289,109)
Non-controlling interest		<u>(5,053)</u>	<u>(5,270)</u>
Loss for the period		(2,048,050)	(2,294,379)
Total comprehensive loss for the period is attributable to:			
Owners of the company		(683,916)	(2,401,405)
Non-controlling interest		<u>(23,475)</u>	<u>(29,975)</u>
Total comprehensive loss for the period		(707,391)	(2,431,380)
Earnings per share			
Basic loss per share – cents per share		(0.26)	(1.074)
Diluted loss per share – cents per share		(0.26)	(1.074)

The above Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	924,208	8,385,274
Trade and other receivables	6	286,234	154,370
Other financial assets	7	617,334	106,655
Total current assets		1,827,776	8,646,299
Non-current assets			
Investments accounted for using the equity method	8	3,283,442	2,744,806
Plant and equipment		220,963	210,248
Exploration and evaluation expenditure	9	24,542,744	17,893,489
Total non-current assets		28,047,149	20,848,543
TOTAL ASSETS		29,874,925	29,494,842
LIABILITIES			
Current liabilities			
Amounts due to joint venture partner	10	2,008,065	1,725,285
Trade and other payables		392,085	247,577
Cash received in advance of equity issue		247,436	-
Total current liabilities		2,647,586	1,972,862
TOTAL LIABILITIES		2,647,586	1,972,862
NET ASSETS		27,227,339	27,521,980
EQUITY			
Issued Capital	12	42,910,299	42,497,549
Reserves		2,235,224	925,993
Accumulated losses		(18,193,148)	(16,150,151)
Total equity attributable to owners of the parent		26,952,375	27,273,391
Non-controlling interest		274,964	248,589
TOTAL EQUITY		27,227,339	27,521,980

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2011

	Issued Capital	Options Reserve	Foreign Exchange Translation Reserve	Non- controlling Shareholders Premium Reserve	Accumulated losses	Equity attributable to the owners of the parent	Non- controlling interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$
Total equity at 1 July 2011	42,497,549	1,369,374	(131,700)	(311,681)	(16,150,151)	27,273,391	248,589	27,521,980
Net loss	-	-	-	-	(2,042,997)	(2,042,997)	(5,053)	(2,048,050)
Exchange difference on translation of foreign operations	-	-	1,359,081	-	-	1,359,081	(18,422)	1,340,659
Total comprehensive loss for the period	-	-	1,359,081	-	(2,042,997)	(683,916)	(23,475)	(707,391)
Issue of shares, net of transaction costs	412,750	-	-	-	-	412,750	-	412,750
Non controlling interest contribution	-	-	-	18,799	-	18,799	(18,799)	-
Non- Controlling Shareholders Premium Reserve	-	-	-	(68,649)	-	(68,649)	68,649	-
Total equity at 31 December 2011	42,910,299	1,369,374	1,227,381	(361,531)	(18,193,148)	26,952,375	274,964	27,227,339

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

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

2010

	Issued Capital	Options Reserve	Foreign Exchange Translation Reserve	Non-controlling Shareholders Premium Reserve	Accumulated losses	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$
Total equity at 1 July 2010	15,546,499	155,174	38,424	(242,389)	(12,054,670)	3,443,038	242,566	3,685,604
Net loss	-	-	-	-	(2,289,109)	(2,289,109)	(5,270)	(2,294,379)
Exchange difference on translation of foreign operations	-	-	(112,297)	-	-	(112,297)	(24,704)	(137,001)
Total comprehensive loss for the period	-	-	(112,297)	-	(2,289,109)	(2,401,406)	(29,974)	(2,431,380)
Issue of shares, net of transaction costs	2,559,260	-	-	-	-	2,559,260	-	2,559,260
Non controlling interest contribution	-	-	-	(74,376)	-	(74,376)	74,376	-
Total equity at 31 December 2010	18,105,759	155,174	(73,873)	(316,765)	(14,343,779)	3,526,516	286,968	3,813,484

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

EMERALD OIL & GAS NL
ABN: 72 009 795 046

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
<i>Cash flows from operating activities</i>			
Receipts from customers		248,559	57,634
Interest received		85,266	12,175
Tax rebates received		-	17,968
Payments to suppliers and employees		<u>(2,262,696)</u>	<u>(927,072)</u>
Net cash used in operating activities		<u>(1,928,871)</u>	<u>(839,295)</u>
<i>Cash flows from investing activities</i>			
Exploration expenditure		(6,586,672)	(1,061,790)
Payments for property, plant & equipment		-	(595)
Settlement of NOXXE litigation/unsolicited return of NOXXE equity investment		<u>373,762</u>	<u>632,977</u>
Net cash used in investing activities		<u>(6,212,910)</u>	<u>(429,408)</u>
<i>Cash flows from financing activities</i>			
Proceeds from the issue of shares		423,000	2,750,000
Cash received in advance of equity issue		247,436	-
Capital raising costs		<u>(10,250)</u>	<u>(190,740)</u>
Net cash flows provided by financing activities		<u>660,186</u>	<u>2,559,260</u>
Net (decrease)/increase in cash and cash equivalents		(7,481,595)	1,290,557
Cash and cash equivalents at the beginning of the period		8,385,274	171,789
Effect of foreign exchange on cash balances		<u>20,529</u>	<u>(27,821)</u>
Cash and cash equivalents at the end of the period	5	<u>924,208</u>	<u>1,434,525</u>

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1 – REPORTING ENTITY

Emerald Oil & Gas NL (the “Company”) is a company domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated. The consolidated half-year financial report of the Group as at and for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the “Group” or the “Consolidated Entity”).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from www.asx.com.au or from the Company's registered office at Suite 2, 12 Parliament Place, West Perth, WA 6005.

NOTE 2 – BASIS OF PREPARATION

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

This condensed half year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cashflows of the Group as in the full financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Emerald Oil & Gas NL and its subsidiaries during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

This consolidated half-year financial report was approved by the Board on 14 March 2012.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this consolidated half-year financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2011, except as disclosed below.

(a) Changes in accounting policies

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policies (continued)

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(b) Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

In the half-year ended 31 December 2011, management reassessed its estimates in respect of:

Carrying value of exploration expenditure

The Group performed a detailed review of its exploration tenements at period end to determine whether the related expenditure should continued to be capitalised under AASB 6 or impaired. As a result of this review, management has determined that \$nil (2010: \$1,500,000) be impaired during the current period.

(c) Going Concern

The Group has a working capital deficiency of \$819,810 at balance date and incurred a loss for the half-year of \$2,048,050. Since the reporting date, the Group has raised \$1,162,436 of equity capital via an issue of ordinary shares at \$0.03, however the Group has forecast that it will need to raise additional funding in the coming year in order to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing this half-year financial report. In addition, as a result of the matter disclosed in Note 15, the Group will need to source funding by August 2012 in order to repay the secured debt facility entered into in February 2012. Discussions are underway with a number of potential funding providers to secure this funding within the relevant timeframe.

Notwithstanding the above matters, the half-year financial report has been prepared on a going concern basis, as the directors are confident that sufficient funding will be able to be sourced in the coming year in order to meet the Group's operating expenditure and planned exploration expenditure for the next twelve months from the date of signing this half-year financial report and to repay the secured debt facility.

Any inability to source sufficient funding for the above purposes creates a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 4 – INCOME TAX

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

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

NOTE 5 – CASH AND CASH EQUIVALENTS

	31 December 2011 \$	30 June 2011 \$
For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash	<u>924,208</u>	<u>8,385,274</u>
	<u>924,208</u>	<u>8,385,274</u>

NOTE 6 – TRADE AND OTHER RECEIVABLES

	31 December 2011 \$	30 June 2011 \$
Other receivables	53,162	154,370
Amounts due from jointly controlled entities	<u>233,072</u>	<u>-</u>
	<u>286,234</u>	<u>154,370</u>

NOTE 7 – OTHER FINANCIAL ASSETS

	31 December 2011 \$	30 June 2011 \$
Deposits and prepayments ⁽ⁱ⁾	<u>617,334</u>	<u>106,655</u>
	<u>617,344</u>	<u>106,655</u>

(i) This balance includes \$510,680 advanced for exploration costs in relation to the Group's Green River Basin project.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

**NOTE 8 – INVESTMENTS ACCOUNTED FOR
USING THE EQUITY METHOD**

	31 December 2011 \$	30 June 2011 \$
Investments in jointly controlled entities	3,283,442	2,744,806
Reconciliation:		
A reconciliation of movements in investments accounted for using the equity method	6 months to 31 December 2011 \$	Year to 30 June 2011 \$
Carrying amount at beginning of period	2,744,806	-
On acquisition	-	2,744,806
Transfer from exploration and evaluation assets	325,156	-
Share of losses for the period	(209,098)	-
Effect of foreign exchange	422,578	-
Carrying amount at end of period	3,283,442	2,744,806

Name of entity	Principal activity	Country of incorporation	Ownership interest		Published fair value	
			31	30 June	31	30 June
			December	2011	December	2011
			2011	%	2011	\$
<i>Jointly controlled entities</i>						
Slater Dome Gathering LLLP	Holder of pipeline assets	USA	45 %	45%	3,283,442	2,744,806

As at 31 December 2011, the Group held 45% of the issued share capital of Slater Dome Gathering LLLP.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

**NOTE 9 – EXPLORATION AND EVALUATION
EXPENDITURE**

	31 December 2011 \$	30 June 2011 \$
Exploration and evaluation costs carried forward in respect of exploration areas of interest in the USA and Australia	<u>24,542,744</u>	<u>17,893,489</u>
Reconciliation:		
A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:	6 months to 31 December 2011 \$	Year to 30 June 2011 \$
Carrying amount at beginning of period	17,893,489	2,795,342
Additions	6,075,993	17,545,339
Depreciation/amortisation	-	(145,806)
Impairment of exploration and evaluation expenses	-	(1,500,000)
Written off	-	(600,000)
Refunds of expenditure	-	(70,352)
Reclassification to investments accounted for using the equity method	(325,156)	-
Effect of foreign exchange	898,418	(131,034)
Carrying amount at end of period	<u>24,542,744</u>	<u>17,893,489</u>

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

Exploration and evaluation expenditure written off during the previous period relates to exploration assets of Emerald Gas Developments in Kentucky, USA.

Exploration and evaluation expenditure impaired during the prior year relates to the North West Alice prospect in Texas USA. After assessing the potential of each project, the Directors impaired amounts associated with the dry hole well costs.

**NOTE 10 – AMOUNTS DUE TO JOINT VENTURE
PARTNER**

	31 December 2011 \$	30 June 2011 \$
Amounts due to joint venture partner ⁽ⁱ⁾	<u>2,008,065</u>	<u>1,725,285</u>
	<u>2,008,065</u>	<u>1,725,285</u>

(i) Since the reporting date, amounts due to joint venture partner have been repaid in full.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 11 – CONTROLLED ENTITIES

The Company has the following Subsidiaries:

Name of Subsidiary	Country of Incorporation	Class of Shares	Percentage held	
			2011	2010
Emerald Gas USA LLC	USA	Ordinary	100%	100%
Emerald Gas Pty Ltd	Australia	Ordinary	100%	100%
Emerald Gas USA Holdings Inc	USA	Ordinary	100%	100%
Emerald Gas Development USA LLC	USA	Ordinary	100%	100%
Emerald Gas Kentucky Ventures LLC	USA	Ordinary	100%	100%
Kentucky Energy Partners LLC	USA	Ordinary	75%	75%
Emerald Oil and Gas USA Holdings LLC	USA	Ordinary	100%	-
Emerald GRB LLC	USA	Ordinary	100%	-

NOTE 12 – ISSUED CAPITAL

	Number of Shares	\$
2011		
(a) Issued and Paid Up Capital		
Fully paid ordinary shares	799,409,196	42,910,299
(b) Movements in fully paid shares on issue		
Opening balance as at 1 July 2011	785,309,136	42,497,549
Shares issued during the period	14,100,000	423,000
Capital raising costs	-	(10,250)
Total fully paid shares on issue at 31 Dec 2011	799,409,136	42,910,299

NOTE 13 – RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The Parent Entity and ultimate controlling party is Emerald Oil & Gas NL.

(b) Other related party transactions

The directors received compensation during the period pursuant to arrangements detailed in the 2011 Annual Report, inclusive of annual adjustments where relevant.

The total amount of fees and compensation referable to the directors during the half year ended 31 December 2011 was \$237,894 (half year ended 31 December 2010 \$242,775).

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 13 – RELATED PARTY TRANSACTIONS (continued)

(b) Other related party transactions (continued)

Ventnor Capital Pty Ltd, a company of which Mr John Hannaford is a director, charged rent and company secretarial fees in relation to the administration of the Consolidated Entity. A summary of the total fees charged by Ventnor Capital Pty Ltd during the period is as follows:

	2011	2010
	\$	\$
Rent and office administration	27,000	48,000
Company secretarial fees	30,000	42,000
Financial administration	47,550	17,194
Total	<u>104,550</u>	<u>107,194</u>

The total amount of fees due to Ventnor Capital as at 31 December 2011 was \$13,750 (2010: \$19,894).

Pelagic Capital Investments Ltd, a company of which Mr McAndrew Rudisill is a director, charged advisory fees on commercial terms for the half year ended 31 December 2011 totalling US\$100,000 (2010: Nil).

Drumgaghan Pty Ltd, a company of which Mr Jeremy Shervington is a director, charged advisory fees on commercial terms for the half year ended 31 December 2011 totalling \$10,796 (2010: Nil). The total amount of fees due to Drumgaghan Pty Ltd as at 31 December 2011 was \$6,380.

(c) Terms and Conditions

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

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

NOTE 14 – SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the location of activity. Discrete financial information about each of these locations is reported to the Board of Directors on at least a monthly basis.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 14 – SEGMENT REPORTING (continued)

Reportable segments requiring disclosure are operating segments that meet any of the following thresholds:

- Segment loss greater than 10% of combined loss of loss making operating segments; and
- Segment assets greater than 10% of combined assets of all operating segments

In accordance with AASB 8 *Segment Reporting*, the reportable segments are based on aggregated operating segments determined by the similarity of the locations, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an 'all other segments' reporting segment. In accordance with AASB 8 *Segment Reporting*, corporate and administrative activities are included in the 'all other segments' reporting segment.

The Group operates in one business segment, being the exploration of oil and gas, and two geographical segments, being Australia and USA.

Description of operating segments

Appalachian (USA)

Emerald's subsidiaries Emerald Gas USA Holdings LLC, Emerald Gas Developments LLC, Emerald Kentucky Gas Ventures LLC and Kentucky Energy Partners LLC undertake onshore oil and gas exploration activities in the USA. The combined operations of these entities represent a single reportable segment.

Texas (USA)

Emerald's subsidiary Emerald Gas USA LLC undertakes onshore oil and gas exploration activities in the USA. This entity's activities form both an operating and reportable segment.

Green River Basin (USA)

Emerald subsidiaries Emerald Oil and Gas USA Holdings LLC and Emerald GRB LLC undertake onshore oil and gas exploration activities in the Green River Basin area of USA. The combined operations of these entities represent a single reportable segment.

All other segments (Australia)

Emerald Gas Pty Ltd, a wholly owned subsidiary of the Company, is the holder of onshore and offshore leases in the north west of Western Australia which are prospective for hydrocarbons. The Australian oil and gas exploration operating segment does not meet the thresholds for reportable segments and have been included in all other segments for reporting purposes, which includes the administrative costs of the Company.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 14 – SEGMENT REPORTING (continued)

Segment information

The following tables present the revenue and profit information regarding each reportable operating segment provided to the Board of Directors for the half year periods ended 31 December 2011 and 31 December 2010.

2011

Geographical segment	USA			Australia	
Operating Segment	Appalachian \$	Texas \$	Green River Basin \$	All other segments \$	Consolidated \$
Segment Revenues	77,874	-	69,477	-	147,351
Segment result	(79,947)	398,582	(1,879,492)	(487,193)	(2,048,050)
Segment assets	1,229,501	561,450	27,122,929	961,045	29,874,925
Segment liabilities	(42,456)	-	(2,144,780)	(490,350)	(2,647,586)
Included in segment result:					
Interest revenue	-	-	-	85,266	85,266
Impairment	-	-	-	-	-
Depreciation	-	-	-	1,003	1,003
Acquisition of plant & equipment, exploration & evaluation and other non current assets	(155,643)	-	(5,850,327)	(70,023)	(6,075,993)

2010

Geographical segment	USA		Australia	
Operating Segment	Appalachian \$	Texas \$	All other segments \$	Consolidated \$
Segment Revenues	12,690	-	12,175	24,865
Segment result	(128,501)	(1,759,140)	(406,738)	(2,294,379)
Segment assets	1,845,170	1,049,361	1,082,269	3,976,800
Segment liabilities	(567)	-	(162,749)	(163,316)
Included in segment result:				
Interest revenue	-	-	12,175	12,175
Impairment	-	(1,500,000)	-	(1,500,000)
Depreciation	-	-	(2,510)	(2,510)
Acquisition of plant & equipment, exploration & evaluation and other non current assets	(229,597)	(658,256)	(72,088)	(959,941)

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 15 – POST BALANCE DATE EVENTS

Since the reporting date, the Group has acquired 10,500 net lease acres located in Dunn County, North Dakota, United States of America, including a 7.5% interest in a producing oil well for a consideration of US\$11.85 million. This acquisition was financed through a secured debt facility of US\$15 million with a private US investor. The term of the loan is 6 months and it is fully secured by Emerald's Dunn County and Green River Basin assets with interest in the form of a small overriding royalty on the Dunn County leases. Discussions are underway with a number of potential funding providers and it is expected that this loan will be repaid with the proceeds raised as a result of those discussions. While the ultimate outcome of those discussions is not yet certain, the Group expects to conclude on alternative financing arrangements and expects to have sufficient resources to meet its ongoing funding requirements.

As at 14 March 2012, the Group has raised \$1,162,436 of equity capital via an issue of ordinary shares at \$0.03. An additional 50,000,000 shares at an issue price of \$0.03 (\$1,500,000) will be allotted in March 2012. The funds raised will be used to meet the ongoing working capital requirements of the Group.

As at the date of this report, there have been no events occurring subsequent to the reporting date, other than the matters above, which would have a material impact on the Group or require disclosure in this Interim Financial Report.

Directors' Declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 8 to 22 comply with the Corporations Act 2001; and
 - i. comply with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. give a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the half year then ended; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board,



M. Krzus
Managing Director
Perth
14 March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Emerald Oil and Gas NL

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Emerald Oil and Gas NL ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

- a) giving a true and fair view of the group's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 3(c) to the financial report which indicates that the group is dependent on securing various sources of funding in order for it to be able to meet its operating expenditure and planned exploration expenditure for the next twelve months from the date of signing this half-year financial report and in order for it to repay the secured debt facility. If the group is unable to source sufficient funding for these purposes, there is a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.



HLB MANN JUDD
Chartered Accountants



L DI GIALLONARDO
Partner

Perth, Western Australia
14 March 2012