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31 January 2012

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

**QUARTERLY ACTIVITIES AND CASHFLOW REPORT
DECEMBER 31, 2011**

Please find attached the Quarterly Activities Report and Appendix 5B Quarterly Cashflow Report for the quarter ended December 31, 2011.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M Krzus". The signature is fluid and cursive, with the first letter "M" being particularly large and stylized.

MIKE KRZUS
Chief Executive Officer
mkrzus@emeraldoilandgas.com

ASX Release

31 January 2012

EMERALD OIL & GAS NL

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Contact:

MIKE KRZUS

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MORGAN BARRON

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Directors/Officers:

Jeremy Shervington – Non Exec Chairman
Mike Krzus – Managing Director
John Hannaford – Non Exec Director
McAndrew Rudisill – Non Exec Director
Nathan Featherby – Non Exec Director
Laurie Shervington – Alternate Director

Issued Capital (30 Jan 12):

807,656,643 Shares (EMR)
78,744,568 Listed options (EMRO)
184,261,115 Unlisted options

Market Capitalisation (30 Jan 12):

Undiluted ~\$24m (@ 3.0 cents)

Cash on hand (31 Dec 11)

~\$0.9m

ASX Codes:

EMR, EMRO

QUARTERLY ACTIVITIES REPORT FOR THREE MONTHS ENDED 31 DECEMBER 2011

Highlights

USA

- ❖ *Green River Basin Shale Oil, Colorado/Wyoming*
 - Green River Basin (GRB) Niobrara shale oil play production potential demonstrated with over 500 bopd from a horizontal well near Emerald acreage
 - Additional 19,000 net lease acres to be acquired by GRBJV
- ❖ *Appalachian Gas, Kentucky*
 - Additional well hookups awaiting commissioning of new sour gas plant.

CORPORATE

- ❖ Share placement well progressed, raising up to AUD\$5m.

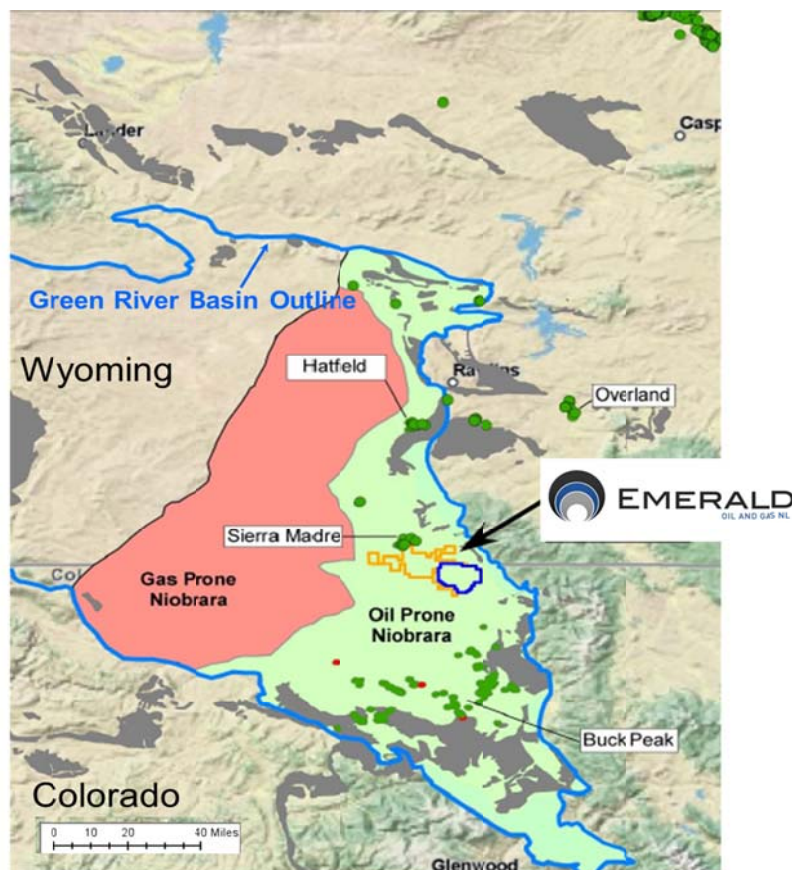
USA Projects

Green River Basin - Colorado/Wyoming USA (Emerald 45% Interest)

Highlights:

- ❖ Well results including over 500 barrels of oil per day (bopd) oil from a horizontal well and around 100 bopd from single zones in several vertical wells near Emerald demonstrates potential of Green River Basin (GRB) Shale oil play in Colorado/Wyoming, USA
- ❖ Additional 8,550 net lease acres to be offered to Emerald by Entek

Emerald holds a 45% working interest in the Green River Basin JV (GRBJV.) The GRBJV holds approximately 86,000 gross acres (35,000 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.

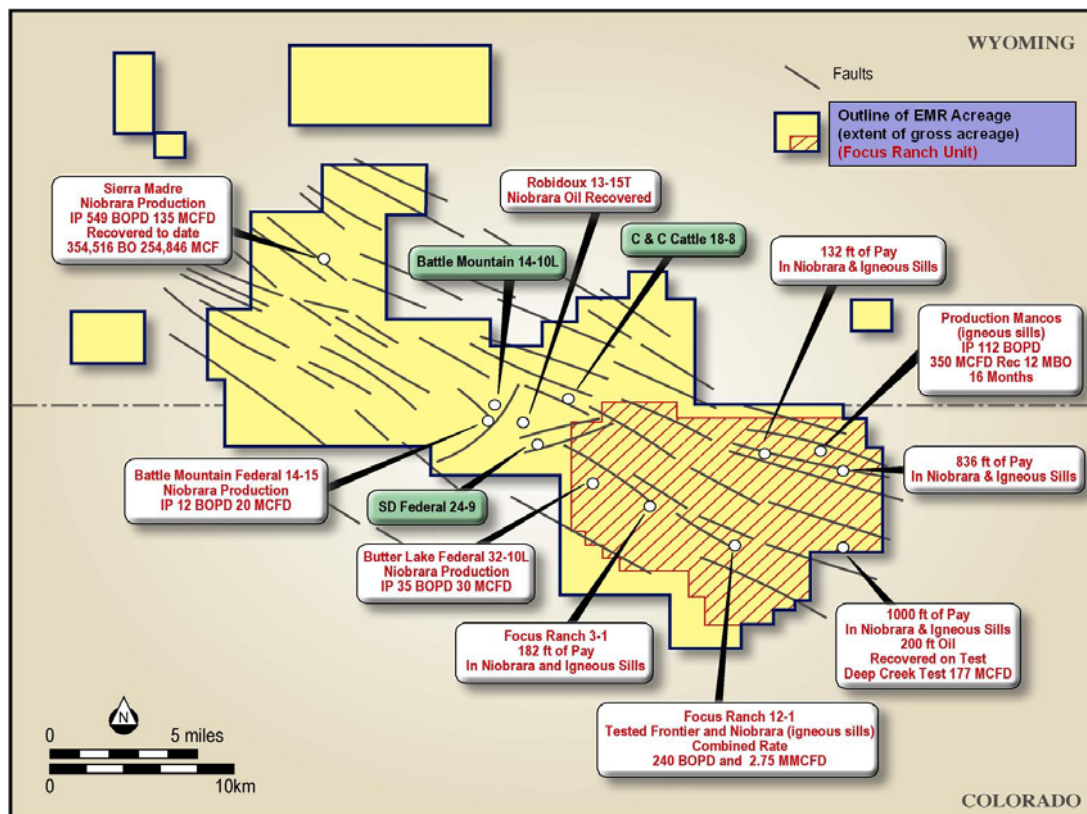
The wells intersected multiple, intensely fractured zones above, below and within four prospective oil pay zones or "benches" in the Niobrara shale. The entire Niobrara shale section and large shale sections above and below the Niobrara are oil charged.

Significantly more prospective pay zones requiring separate frac treatments were encountered than originally anticipated. Five small experimental frac designs were trialed 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.

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. 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. Vertical well production performance from wells on and near EMR's acreage, as shown below, also suggests high flow rates are likely with horizontal wells and optimal frac designs.

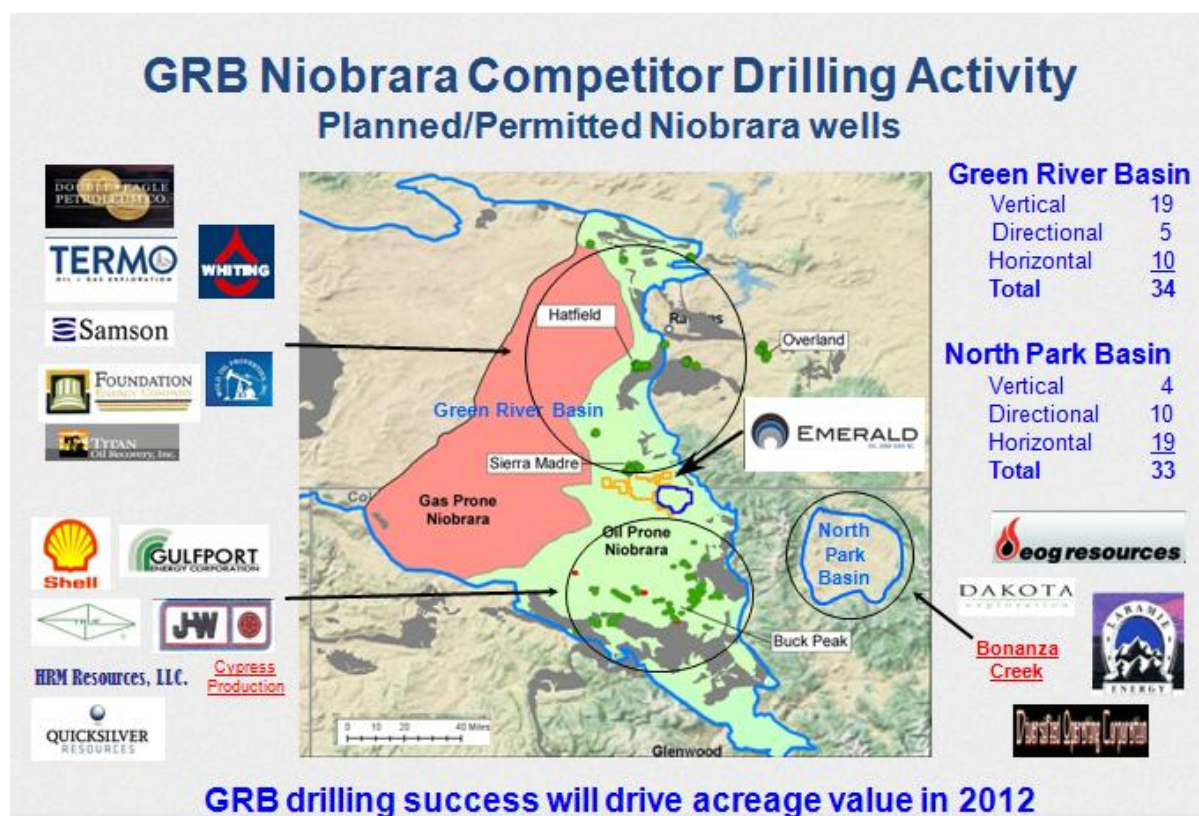


Competitor Well Results

Several operators including Quicksilver, Shell and Gulfport experimented with various well designs and hydraulic fracture stimulation techniques during 2011, with Quicksilver and Shell reporting some promising initial results during the quarter.

Quicksilver recently 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. Only about half of the 3,000 ft horizontal lateral currently producing 500 bopd was able to be fraced before operations were shut down due to wildlife stipulations, suggesting the well should be capable of significantly higher oil rates once the rest of the well is fraced.

Shell also reports 80 to 100 bopd from 2 vertical wells they re-entered during 2011 and production reports from 2 horizontal wells are expected in Q1 2012.



Although Quicksilver and Shell have clearly demonstrated the production potential of the Niobrara Shale in GRB, specific technical details of their frac treatments are confidential. Technical details are expected to become known to the industry over the coming months and the Company plans to apply similar fracture stimulations and horizontal drilling techniques to GRBJV wells during the 2012 operating season.

GRBJV 2012 Work Program

EMR and ETE now plan to conduct a detailed technical review of the results of the 2011 appraisal program in February before finalising a 2012 GRBJV Work Program and Budget.

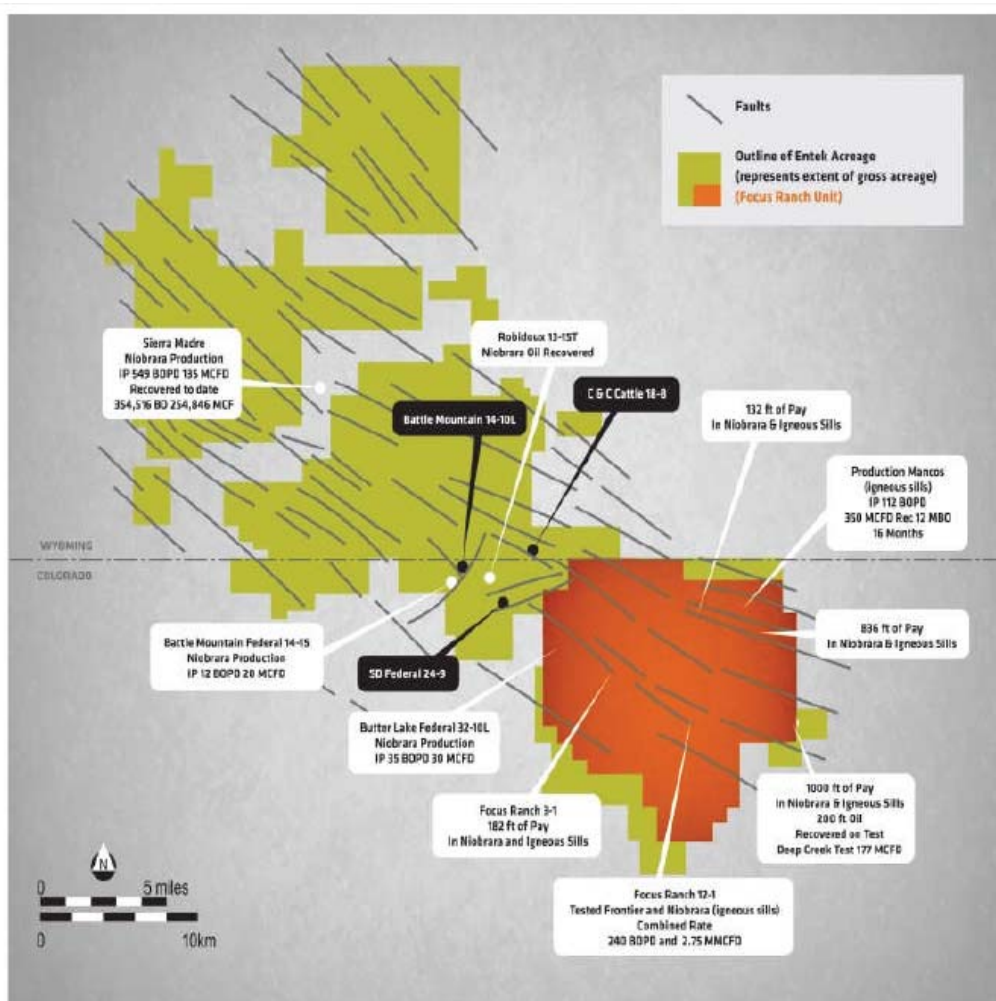
Significant activities under consideration for the 2012 GRBJV work program include:

- drilling a number of new wells (including both horizontal oil producers and vertical appraisal wells)
- re-entry of the 3 vertical wells drilled in 2011 and other existing wells to selectively treat unstimulated intervals and/or drill and frac horizontal laterals from these wells
- additional 2D and 3D seismic acquisition
- field production infrastructure expansion to accommodate the increasing oil and gas production anticipated from Niobrara drilling.

Additional GRB Acreage

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 would hold well in excess of 40,000 net acres if it elects to participate.

Details of the acreage acquisition are confidential at this stage, but the map below, from Entek's 22 December ASX announcement shows the geographic extent of the GRBJV's acreage position, should the acquisition complete as planned.

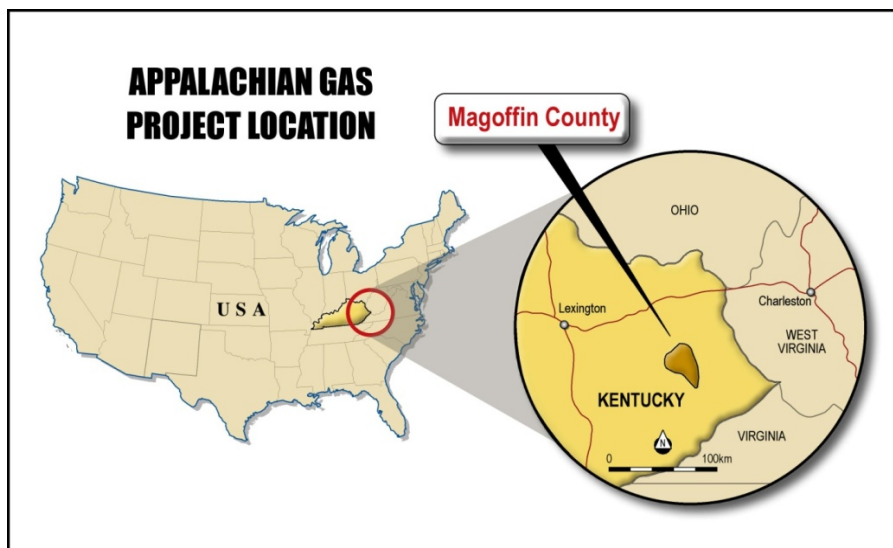


Appalachian Gas - Magoffin County, Kentucky (Emerald 75% Equity Interest in Kentucky Energy Partners LLC)

Highlights:

- ❖ Additional KEP wells awaiting hookup in anticipation of sour gas plant operation.

LOCATION



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.

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 \$942,000 cash on hand.

Share placement well progressed, raising up to AUD\$5M

The Company made the following announcements during the quarter and up to the date of this quarterly report:

Date	Headline
11/01/2012	Appendix 3B
11/01/2012	EMR SECONDARY TRADING NOTICE PURSUANT TO SECTION 708A(5)
10/01/2012	Substantial oil production from Niobrara Shale wells near EMR
9/01/2012	Change of Director's Interest Notice App 3Y
3/01/2012	EMR Secondary trading notice pursuant to section 708a(5)
3/01/2012	Appendix 3B
21/12/2011	ETE - 2011 Niobrara Appraisal Program Update
20/12/2011	Change of Director's Interest Notice
16/12/2011	Emerald Capital Raising and Company Update
28/11/2011	Initiation of Coverage with Hartleys
14/11/2011	ETE: Entek Increases Acreage Position in Niobrara Shale Proj.
11/11/2011	Results of Meeting
1/11/2011	Quarterly Activities and Cash Flow Report
28/10/2011	Becoming a substantial holder
21/10/2011	ETE: Niobrara Shale Oil Project Appraisal Program Update
18/10/2011	Revised Proxy Form for Annual General Meeting
12/10/2011	Notice of Annual General Meeting/Proxy Form
6/10/2011	Emerald Implements Growth Strategy
5/10/2011	Emerald Appoint new Directors

For more information please contact:

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About Emerald Oil & Gas NL

Emerald Oil & Gas NL (ASX: EMR, EMRO) was listed on the ASX in June 2006. Emerald Oil & Gas NL is a petroleum exploration and production company based in Perth, Australia. The Company holds interests in exploration and production operations in the USA (Colorado, Wyoming, Kentucky and Texas) and offshore Western Australia. Emerald's main focus is its large Green River Basin acreage holding over the Niobrara Continuous Shale Oil accumulation in Colorado and Wyoming. Emerald plans to use its position in the Green River Basin as a foundation on which to build a company focused on unconventional resource plays in the Rocky Mountain region.

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

Appendix 5B

Mining exploration entity quarterly report

Name of entity

Emerald Oil & Gas NL

ABN

009 795 046

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	67	235
1.2 Payments for:		
(a) exploration and evaluation	(3,552)	(6,522)
(b) development	(116)	(263)
(c) production	(1,629)	(1,947)
(d) administration	(120)	(286)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	19	85
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
- US legal expenses	(95)	(155)
Net Operating Cash Flows	(5,426)	(8,853)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(19)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	19	19
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
- Settlement of NOXXE claim	-	374
Net investing cash flows	19	374
1.13 Total operating and investing cash flows (carried forward)	(5,407)	(8,479)

1.13	Total operating and investing cash flows (brought forward)	(5,407)	(8,479)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	670	670
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Capital Raising Costs	-	-
1.20	Other - Subscriptions received	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(4,737)	(7,809)
1.20	Cash at beginning of quarter/year to date	5,410	8,385
1.21	Exchange rate adjustments to item 1.20	251	348
1.22	Cash at end of quarter	924	924

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	161
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

The amount above includes payments to directors and to companies associated with John Hannaford, Jeremy Shervington, Nathan Featherby and McAndrew Rudisill for this quarter and previous quarters.

Payments to Ventnor Capital, a company associated with John Hannaford relate to the provision of consulting fees, company secretarial services, accounting and bookkeeping, and the provision serviced offices on commercial terms.

Payments to Jeremy Shervington Legal Practice relate to the provision of legal services on commercial terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,150
4.2 Development	450
4.3 Production	100
4.4 Administration	500
Total	3,200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	942	5,410
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	942	5,410

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference + securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	799,409,196	799,409,196		
7.4 Changes during quarter (a) Increases through issues (b) Increases through conversion of options (c) Release from escrow (d) Decreases through returns of capital, buy-backs	14,100,000	14,100,000	3 cent	-
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	5,000,000	-	\$0.10	31/03/14
	11,661,115	-	\$0.10	30/06/12
	78,744,568	78,744,568	\$0.05	31/08/12
	117,600,000	-	\$0.05	30/04/12
	50,000,000	-	\$0.05	28/06/14
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

(1) Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~not~~* give a true and fair view of the matters disclosed.



Sign here:

Date: 31 January 2012

(Director)

Print name: Mike Krzus

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statements* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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