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1 October 2013

The Manager  
ASX Limited  
Exchange Plaza  
Level 8, 2 The Esplanade  
PERTH WA 6000

Dear Sir,

**CONDITIONS OF PROPORTIONAL TAKEOVER OFFER – EMERALD OIL AND GAS NL (EMR)**

Emerald Oil & Gas NL (Emerald or the Company) wishes to advise the market of further details in relation to the proposal for an all cash proportional off-market takeover offer (the Takeover Offer) to acquire 30% of the fully paid ordinary shares in the capital of Emerald which Confederate and its associates do not currently hold or control.

The Takeover Offer was made by Confederate Capital Pty Ltd.

Confederate's associates, P&L Capital Investments Pty Ltd and Desertfox Pty Ltd currently hold a relevant interest in approximately 14.07% of the fully paid ordinary shares in the capital of Emerald.

Confederate is proposing to offer Emerald shareholders 1.4 cents per share for 30% of the shares held by each offeree.

The Takeover Offer is subject to various conditions, however, Confederate highlights that the Takeover Offer is **not** subject to a minimum acceptance condition. Confederate intends to acquire all Emerald Shares which are the subject of acceptances received under the Takeover Offer, subject to the remaining conditions either being satisfied or waived. An annexure of Takeover Offer conditions is attached.

In addition to the Takeover Offer, Confederate has offered to underwrite a \$2,000,000 rights issue at 1.4 cents per Emerald Share, consistent with the pricing of the Takeover Offer. Additionally, Confederate has offered to extend a \$500,000 interest free secured loan facility to Emerald in order to fund its working capital requirements.

Emerald is seeking clarification from Confederate as to the terms of these offers, and how they relate to the takeover proposal.

Confederate has advised that it intends to serve a Bidder's Statement on EMR in the near future.

The board of Emerald is referring the takeover proposal to an independent adviser for an opinion on the merits of the Takeover Offer, given the existing Ochre Group Holdings Limited merger proposal with Emerald, and shareholders should await that advice.

Yours faithfully,  
EMERALD OIL AND GAS NL

A handwritten signature in black ink, appearing to read "Jeremy Shervington", written over a thin horizontal line.

Jeremy Shervington  
**Chairman**

## ANNEXURE – OFFER CONDITIONS

The Offers and any contracts resulting from acceptance of the Offers are subject to fulfillment of certain conditions. Confederate may choose to waive or vary any of those conditions in accordance with the Offers and subject to the Corporations Act. The conditions are as follows:

1. **(director appointments)** before the end of the Offer Period, a majority of the directors on the board of EMR are nominees of Confederate.
2. **(no restraining orders)** that between the Announcement Date and the end of the Offer Period:
  - (a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
  - (b) no application is made to any Public Authority (other than by Confederate), or action or investigation is announced, threatened or commenced by a Public Authority,  
  
in consequence of, or in connection with, the Takeover Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
    - (c) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Takeover Offer or the completion of any transaction contemplated by the Takeover Offer (whether subject to conditions or not) or the rights of Confederate in respect of EMR and EMR Shares to be acquired under the Takeover Offer; or
    - (d) requires the divestiture by Confederate of any EMR Shares, or the divestiture of any assets of the EMR Group, Confederate or otherwise.
3. **(no material adverse effect)** that no specified event occurs that will, or is reasonably likely to, have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses, revenue or prospects of EMR and its subsidiaries, including as a result of making the Offers or the acquisition of EMR Shares pursuant to the Offers. For these purposes, a "specified event" is:
  - (a) an event or occurrence that occurs during the Offer Period;
  - (b) an event or occurrence that occurs before the Announcement Date but is only announced or publicly disclosed between the Announcement Date and the end of the Offer Period; or
  - (c) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date.
4. **(no material acquisitions, disposals or new commitments)** except for any proposed transaction publicly announced by EMR before or on the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:

- (a) EMR or any subsidiary of EMR acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than A\$50,000 or makes an announcement in relation to such an acquisition, offer or agreement;
- (b) EMR or any subsidiary of EMR disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in EMR's statement of financial position as at 31 December 2012) is, in aggregate, greater than A\$50,000 or makes an announcement in relation to such a disposition, offer or agreement; or
- (c) EMR or any subsidiary of EMR enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the foregoing of revenue, by EMR and/or its subsidiaries of an amount which is, in aggregate, more than A\$50,000, or makes an announcement in relation to such an entry, offer or agreement.

5. **(no persons exercising rights under certain agreements or instruments)** after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which EMR or any subsidiary of EMR is a party, or by or to which EMR or any subsidiary of EMR or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of EMR or EMR and its subsidiaries taken as a whole, in:

- (a) any monies borrowed by EMR or any subsidiary of EMR being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (b) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
- (c) the interest of EMR or any subsidiary of EMR in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
- (d) the business of EMR or any subsidiary of EMR with any other person being adversely affected,

as a result of the acquisition of EMR Shares by Confederate.

6. **(prescribed occurrences during Offer Period)** that during the Offer Period, none of the following events happen:

- (a) EMR converts all or any of its shares into a larger or smaller number of shares;
- (b) EMR or a subsidiary resolves to reduce its share capital in any way; or
- (c) EMR or a subsidiary:

- (i) makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (ii) enters into a buy-back agreement;
- (iii) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
- (iv) issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) issues, or agrees to issue, convertible notes;
- (vi) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (vii) charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (viii) resolves to be wound up;
- (ix) has a liquidator or provisional liquidator appointed;
- (x) has a court make an order for its winding up;
- (xi) has an administrator appointed under sections 436A, 436B or 436C of the Corporations Act;
- (xii) executes a deed of company arrangement; or
- (xiii) has a receiver or a receiver and manager appointed in relation to the whole, or a substantial part, of the property of EMR or of a subsidiary.

7. **(prescribed occurrences during Period from Announcement Date to Offer Period)** that during the period commencing on the Announcement Date and ending immediately before the commencement of the Offer Period, none of the events described in condition 7 above occur.

8. **(Access to information)** at all times during the period from the Announcement Date to the end of the Offer Period, EMR promptly (and in any event within 2 Business Days) provides to Confederate a copy of all information which is not generally available (within the meaning of the Corporations Act) related to EMR or a member of the EMR Group or any of their respective businesses or operations that has been provided by EMR or a member of the EMR Group or any of their respective officers, employees, advisers or agents to any person (other than Confederate) for the purpose of soliciting, encouraging or facilitating a proposal or offer by that person, or by any other person, in relation to a transaction under which:

- (a) any person (together with its Associates) may acquire voting power of 5% or more in EMR or any member of the EMR Group (whether by way of takeover bid, compromise or arrangements under Part 5.1 of the Corporations Act, or otherwise);

- (b) any person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure or otherwise), any interest in all or a substantial part of the business or assets of EMR or any member of the EMR Group; and
  - (c) that person may otherwise acquire control of or merge or amalgamate with EMR or any member of the EMR Group.
- 9. **(Absence of new litigation)** that before the end of the Offer Period, neither EMR nor any subsidiary of EMR is or has become the subject of any litigation which is commenced, is threatened to be commenced, is announced, or is made known to Confederate (whether or not becoming public), and which may be reasonably be expected to result in a judgment against EMR or any subsidiary of EMR of A\$50,000 or more (after taking into account any reduction of the judgment which may reasonably be expected by way of set-off or cross claim), other than that which has been publicly announced prior to the Announcement Date.
- 10. **(ASX conditions)** all conditions that ASX imposes (if any) as a pre-requisite to completion of the Takeover Offer are fulfilled.
- 11. **(no excessive termination payments)** that there are no contracts, arrangements or understandings that any payment or other benefit will be made or given to any director, secretary or executive officer of EMR or any subsidiary of EMR as compensation for loss of or as consideration for or in connection with his or her retirement from office as a director, secretary or executive officer or any other office in connection with the management of EMR or any subsidiary of EMR which exceed in value the aggregate sum of A\$50,000.
- 12. **(Indices fall)** the S&P ASX 200 Index is for any three consecutive days after the date of the Announcement, 10% or more below its respective level as at the close of business on the business day prior to the Announcement Date.
- 13. **(Approvals by Public Authorities):** between the Announcement Date and the end of the Offer Period, Confederate receives all Approvals that are required by law or by any Public Authority or ASIC:
  - (a) to permit the Offers to be made to and accepted by EMR shareholders in all applicable jurisdictions; or
  - (b) as a result of the Offers or the successful acquisition of the EMR Shares and which are necessary for the continued operation of the business of EMR and its subsidiaries or of Confederate and its subsidiaries,

and those Approvals are on an unconditional basis and remain in force in all respects and there is no notice or indication of intention to revoke, suspend, restrict, modify or not renew those Approvals.

- 14. **(No break fees):** that during the period between the Announcement Date and the end of the Offer Period, none of EMR or any member of the EMR Group, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

- (a) a takeover offer for EMR or any body corporate which is or becomes a subsidiary of EMR; or
- (b) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, EMR or any body corporate which is or becomes a subsidiary of EMR, or to operate EMR as a single economic entity with another body corporate,

provided that this condition does not apply to a payment, benefit or arrangement:

- (a) for providing professional advisory services to EMR;
  - (b) which is approved in writing by Confederate;
  - (c) which is approved by a resolution passed at a general meeting of EMR; or
  - (d) which is made to, provided to, owed by or made with Confederate.
15. **(No force majeure event)**: that during the period between the Announcement Date and the end of the Offer Period no act of war (whether declared or not) or terrorism, mobilisation of armed forces, civil commotion or labour disturbance, fire or natural disaster, or other event beyond the control of EMR or the relevant subsidiary occurs which has or is likely to have a materially adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of EMR and its subsidiaries taken as a whole or of any of them.
16. **(Alternative proposals)**: EMR does not proceed with any proposal (including a scheme of arrangement) or offer that would if completed substantially in accordance with its terms, result in:
- (a) any person or persons other than Confederate acquiring:
    - (i) all or a substantial part of the assets of EMR;
    - (ii) a relevant interest in more than 20% of the voting shares of EMR;
    - (iii) control of EMR within the meaning of section 50AA of the Corporations Act; or
    - (iv) or merging (including by reverse takeover bid) with EMR; or
  - (b) EMR and another person or persons operating under a dual listed company, or similar structure.

The following definitions apply in this Annexure:

**Announcement Date** means the date that Confederate publicly announces the Takeover Offer.

**Approval** means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given to that term in the Corporations Act.

**ASX** means ASX Limited or the financial market it operates, as the context requires.

**Confederate** means Confederate Capital Pty Ltd (ACN 166 032 891).

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

**EMR** means Emerald Oil and Gas NL (ACN 009 795 046).

**EMR Group** means EMR and its controlled entities.

**EMR Share** means a fully paid ordinary share in the capital of EMR.

**Offer Period** means the period during which the Offers remain open.

**Offers** means the offers made under the Takeover Offer.

**Public Authority** means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC and any court in respect of proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to the Offer). It also includes any self-regulatory organisation established under statute or any stock exchange.

**Takeover Offer** means the offer to be made by Confederate under Chapters 6 to 6C of the Corporations Act under which Confederate offers to acquire 30% of the fully paid ordinary shares in the capital of Emerald which Confederate and its associates do not already own or control.