

**CONFEDERATE CAPITAL PTY LTD**  
**ACN 166 032 891**

**SUPPLEMENTARY BIDDER'S STATEMENT**

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**1. IMPORTANT INFORMATION**

This document is a supplementary bidder's statement (**Supplementary Bidder's Statement**) made under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is supplementary to the bidder's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 11 October 2013 (**Original Bidder's Statement**) issued by Confederate Capital Pty Ltd (ACN 166 032 891) (**Confederate**) in relation to its proportional off-market takeover offer for 30% of the fully paid ordinary shares in the capital of Emerald Oil & Gas NL (ACN 009 795 046) (**Emerald**) (**Offer**).

This Supplementary Bidder's Statement was lodged with ASIC on 29 October 2013. Neither ASIC nor its any of its officers takes any responsibility for the contents of this Supplementary Bidder's Statement.

This Supplementary Bidder's Statement must be read together with the Original Bidder's Statement. If there is a conflict between the Original Bidder's Statement and this Supplementary Bidder's Statement, this Supplementary Bidder's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Bidder's Statement have the same meaning in this Supplementary Bidder's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Supplementary Bidder's Statement.

A copy of this Supplementary Bidder's Statement will be available on the company announcements platform of Emerald (ASX: EMR) on the ASX website ([www.asx.com.au](http://www.asx.com.au)).

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**2. PROPORTIONAL TAKEOVER OFFER FOR EMERALD**

This Supplementary Bidder's Statement refers to Confederate's Offer to acquire 30% of your Shares in Emerald Oil and Gas NL for a price of 1.4 cents cash per Emerald Share. Confederate's Associates, P&L and Desertfox, currently hold a relevant interest in approximately 19.99% of the Emerald Shares on issue.

The reasons why Confederate believes you should accept the Offer are as follows:

- (a) Confederate's Offer represents a substantial premium for 30% of your Emerald Shares;
- (b) Confederate's Offer allows you to realise definite cash value for 30% of your Emerald Shares;
- (c) Confederate's Offer gives you the opportunity to receive value now for part of your shareholding and benefit from any future potential upside of Emerald in respect of your remaining shareholding; and
- (d) Emerald's share price may fall if Confederate's Offer does not succeed.

Detailed information in respect of Confederate's Offer is set out in the Original Bidder's Statement. You should read the Original Bidder's Statement, together with this Supplementary Bidder's Statement, in its entirety, including the conditions to the Offer.

Confederate's Offer is open for acceptance until 5pm (WST) on 30 November 2013, unless extended.

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### 3. VARIATION TO TERMS OF OFFER

Pursuant to section 1.3 of the Annexure to the Original Bidder's Statement, if accepting a proportional takeover offer would leave an Emerald Shareholder with a Small Parcel (defined below) of Shares, Confederate's Offer extends to the whole parcel.

In addition, section 1.2 of the Annexure to the Original Bidder's Statement provides that the Offer extends to any person able to give good title to any Emerald Shares during the Offer Period and has not already accepted an Offer for those Shares. If an Emerald Shareholder accepts the Offer in respect of 30% of its Shares, that Emerald Shareholder is not entitled to accept the Offer for the remaining Shares (**Remaining Shares**), nor can a transferee of the Remaining Shares. The Remaining Shares will effectively be 'tagged' so that a transferee of the Remaining Shares will be prevented from accepting the Offer.

There is potential for abuse of this provision by Emerald Shareholders:

- (a) splitting large holdings into smaller parcels and then seeking to accept the Offer for all of their Shares; or
- (b) repeatedly purchasing and accepting into the bid holdings of a sufficiently small size.

As such, ASIC released ASIC Class Order 13/521 which modifies section 618(2) of the Corporations Act so that it does not apply to Small Parcels (defined below) (whether held beneficially or otherwise) that have come into existence, or increased in size, because of a transaction (including the creation of one or more trusts) entered into after a proportional bid was publicly proposed.

In order to confirm that ASIC Class Order 13/521 applies to Confederate's Offer, Confederate withdraws section 1.3 of the Annexure to the Original Bidder's Statement pursuant to this Supplementary Bidder's Statement, and replaces it with the following new section 1.3:

#### **"1.3 Extension to unmarketable parcels**

- (a) Despite sections 1.1(b) and 1.2 of this Annexure and subject to the remainder of this section 1.3, if accepting the Offer would leave an Emerald Shareholder with a parcel of Shares that has a value of less than \$500, based on the closing price of Shares on the ASX the day before an Emerald Shareholder accepts the Offer (**Small Parcel**), the offer extends to that Small Parcel.
- (b) Section 1.3(a) of this Annexure does not apply to a parcel, whether held beneficially or otherwise, that has come into existence or increased in size because of a transaction entered into (including the creation of one or more trusts) after the Announcement Date.

- (c) If under section 653B(1)(b) of the Corporations Act and section 8 of this Annexure, an Emerald Shareholder may accept the Offer as if a separate offer has been made in relation to:
- (i) one or more parcels that they hold as trustee or nominee, or otherwise on account of, another person (a **beneficiary**); or
  - (ii) a parcel held in the Emerald Shareholder's own right,
- then section 1.3(a) of this Annexure applies to the Shareholder in relation to each parcel rather than the aggregate of the parcels, provided the Emerald Shareholder has, before or at the same time as an acceptance of the Offer extended under section 1.3(a) of this Annexure, given a notice complying with section 1.3(d) of this Annexure to Confederate in relation to the parcel.
- (d) A notice complies with this section in relation to a parcel if the notice is signed by the Emerald Shareholder and states:
- (i) as applicable:
    - (A) that the Emerald Shareholder holds the parcel in its own right; or
    - (B) where the parcel is held by the Emerald Shareholder as trustee or nominee for, or otherwise on account of, one or more beneficiaries – the name and address of each beneficiary; and
  - (ii) if the Emerald Shareholder holds the parcel as trustee or nominee for, or otherwise on account of, one or more beneficiaries – the date (and if the date is the Announcement Date – the time of day) the Emerald Shareholder reasonably believes each beneficiary acquired a beneficial interest in the parcel; and
  - (iii) if the Emerald Shareholder holds the parcel in its own right – the date (and if that date is the Announcement Date – the time of day) the Emerald Shareholder acquired a legal interest in the parcel."

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#### 4. LOAN AGREEMENT

Section 6.2 of the Original Bidder's Statement sets out the terms and conditions upon which the Lenders have agreed to provide funding to Confederate pursuant to the Loan Agreement in order to pay consideration to Emerald Shareholders under the Offer.

Confederate confirms that:

- (a) the Loan Agreement contains no events of default, other than those set out in section 6.2 of the Original Bidder's Statement;

- (b) the Lenders have no power over voting or disposition of Shares under the Loan Agreement; and
- (c) the Lenders do not acquire any relevant interest in Emerald Shares under the Loan Agreement.

In the event that an event of default occurs under the Loan Agreement, a Lender may issue a default notice to Confederate and Confederate shall have a period of 7 days to remedy the default. If Confederate fails to remedy the default, the Lenders may seek to terminate the Loan Agreement, in which case, Confederate must repay the moneys owing under the Loan Agreement within 12 months of termination.

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## **5. CONFEDERATE SHAREHOLDER INFORMATION**

### **5.1 P&L**

P&L is a privately held company which was incorporated as an investment vehicle for the benefit of its shareholders. The current directors and shareholders of P&L are Peter Pynes and his wife Lara Pynes who each hold 1 fully paid ordinary share in the capital of P&L.

P&L does not carry on or run an active business. It holds equity and property assets on behalf of its members. In addition, P&L acts as trustee for the P & L Capital Trust, a family trust which has been formed to hold assets on behalf of its beneficiaries who are all of the members of Peter Pynes' immediate family.

Other than its interests in Confederate (set out in section 3.1 of the Original Bidder's Statement) and Emerald (set out in section 5.4 of the Original Bidder's Statement), P&L holds 100,000 fully paid ordinary shares in the capital of Indago Resources Pty Ltd (**Indago**) and 10,001 fully paid ordinary shares in the capital of Capital Custodians Australia Pty Ltd.

### **5.2 Desertfox**

Desertfox is a privately held company which was incorporated as an investment vehicle for the benefit of its shareholders. The sole director and shareholder of Desertfox is Tim Kestell.

Desertfox does not carry on or run an active business. It holds cash and equity assets on behalf of its members. In addition, Desertfox acts as trustee for the Kestell Family Trust, a family trust which has been formed to hold assets on behalf of its beneficiaries who are all of the members of Tim Kestell's immediate family.

Other than its interests in Confederate (set out in section 3.1 of the Original Bidder's Statement) and Emerald (set out in section 5.4 of the Original Bidder's Statement), Desertfox holds 800,000 fully paid ordinary shares in the capital of Indago and 759,505 fully paid ordinary shares in the capital of Emerald Capital Pty Ltd.

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**6. DIRECTOR'S AUTHORISATION**

This Supplementary Bidder's Statement has been approved by a resolution passed by the Directors of Confederate.



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Signed for and on behalf of  
**Confederate Capital Pty Ltd**  
**Peter Pynes**  
**Director**