



Australian Government

Takeovers Panel

# MEDIA RELEASE

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No: TP14/39

Thursday, 19 June 2014

## Ambassador Oil and Gas Limited – Panel Receives Application

The Panel has received an application from Magnum Hunter Resources Corporation in relation to the affairs of Ambassador Oil and Gas Limited. Ambassador Oil is subject to competing bids by Drillsearch Energy Limited and Magnum.

Details of the application, as submitted by the applicant, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

### Details

On 28 May 2014, Drillsearch and Ambassador Oil announced<sup>1</sup> Drillsearch's intention to make a recommended conditional off-market bid for Ambassador Oil. The offer consideration comprised 1 Drillsearch share for every 5.4 Ambassador Oil shares held with an implied bid consideration of \$0.293 per share. Drillsearch and Ambassador Oil also announced that:

- Drillsearch had acquired a relevant interest in 19.9% of Ambassador Oil as a result of entering into acquisition agreements with several shareholders and
- Mrs Fotoula Hatziladas and Eye Investment Fund Ltd, who collectively held 17.6% of Ambassador Oil, and the directors of Ambassador Oil advised Ambassador Oil that they intended to accept the bid within 14 days from the opening of the offer, in the absence of a superior offer (**Acceptance Statements**).

On 10 June 2014, Magnum announced its intention to make an off-market bid for Ambassador Oil. The offer consideration comprised 1 share of Magnum common stock for every 27.8 Ambassador Oil shares held with an implied bid consideration of \$0.34 per share.

On 12 June 2014, Drillsearch lodged its bidder's statement with ASIC and its offer opened. On 16 June 2014, Drillsearch increased its bid by adding 5 cents cash per Ambassador Oil share (increasing the implied bid consideration to \$0.338) and declared its bid unconditional. On the same day, Ambassador Oil announced that its board had

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<sup>1</sup> There was a joint announcement and a separate announcement by Ambassador Oil

determined that Drillsearch's revised offer was superior to Magnum's and that it had become aware that shareholders representing 32.77% of the issued shares in Ambassador had accepted Drillsearch's offer (including Mrs Hatziladas, Eye Investment and two Ambassador Oil directors, Mr David Shaw and Mr Giustino Guglielmo).

On 17 June 2014, Magnum increased its bid by offering 1 share of Magnum common stock for every 23.6 Ambassador Oil shares held, an implied consideration of \$0.38 per share.

Magnum submitted that (among other things):

- there was an arrangement or understanding between Drillsearch and major Ambassador Oil shareholders (including Mrs and Mr Hatziladas, Eye Investment, Mr Shaw and Mr Guglielmo) in breach of s606 as evidenced by (among other things) the haste with which some shareholders accepted the revised Drillsearch offer and Mrs and Mr Hatziladas' facilitation of pre bid acquisition agreements
- in accepting early, Mrs Hatziladas, Eye Investment, Mr Shaw and Mr Guglielmo acted contrary to their Acceptance Statements and
- a 5 day matching right in the Bid Implementation Agreement *"was deliberately structured to ensure that no change in recommendation could be made by the Ambassador directors before the expiry of the 14 days in which"* each of the shareholders must accept in accordance to their Acceptance Statements.

Magnum seeks interim orders to the effect that (among other things):

- Drillsearch be restrained from appointing directors to Ambassador Oil or processing the acceptances of Mrs Hatziladas, Eye Investment, Mr Shaw and Mr Guglielmo
- Mrs Hatziladas, Eye Investment, Mr Shaw and Mr Guglielmo be restrained from accepting the revised Drillsearch bid
- the BIA be amended so that the matching right provisions are subject to a fiduciary carve-out and
- Drillsearch not process any acceptances and shareholders who have accepted the bid be given withdrawal rights.

Magnum seeks final orders to the effect that (among other things) Drillsearch divest its 19.9% pre-bid stake to the original shareholders (or accept into Magnum's offer) and the BIA be amended so that the matching right provisions are subject to a fiduciary carve out.

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