



AMBASSADOR OIL AND GAS LIMITED

ASX Announcement

10 December 2013

\$42.5m PEL 570 farm-out to New Standard Energy

Global leader Magnum Hunter to join Cooper Basin energy search

- **Farm-out deal - \$42.5 million for a 52.5% interest in PEL 570**
- **Implied value of 27 cents per Ambassador share**
- **Ambassador remains highly leveraged to exploration success in PEL 570**
- **World leading unconventional explorer joins Cooper Basin shale oil/gas hunt**

Ambassador Oil and Gas Ltd (ASX:AQO) has farmed-out a 52.5% working interest in its highly prospective PEL 570 exploration permit in the Cooper Basin (South Australia) to New Standard Energy Ltd (ASX:NSE) for \$42.5 million in direct exploration expenditure.

The deal, representing an implied value of 27 cents per Ambassador share (not including cash reserves and USA acreage), also brings one of the US shale industry pioneers, Magnum Hunter Resources Corp (NYSE:MHR), to help guide exploration for the high liquids content/low CO₂ gas targets known to exist in Cooper Basin permit PEL 570. New Standard is an experienced onshore oil and gas explorer in Western Australia.

The new, higher value deal, supersedes an earlier Heads of Agreement between Ambassador and Outback Energy Hunter Pty Ltd, announced in August 2013, which carried an implied value of around 16 cents per Ambassador share. Outback Energy Hunter is being acquired by New Standard Energy as part a broader corporate transaction which is due to complete in January 2014.

Ambassador Oil and Gas CEO, Tino Guglielmo, said, *“This deal brings one of the world’s leading shale gas and oil explorers into the Cooper Basin while Ambassador retains a very large stake in PEL 570.”*

“Ambassador shareholders have very high leverage to any success which may flow from the \$42.5 million of exploration expenditure which New Standard will now spend in our PEL 570 block.”

“Ambassador Oil and Gas shareholders can be very pleased that one of the world’s most experienced shale oil and gas explorers, in Magnum Hunter Resources, alongside New Standard Energy Ltd, will be applying their vast knowledge to assisting us unlock the value of the Patchawarra Trough region of the Cooper Basin.”

Ambassador Oil & Gas Limited
ACN: 152 595 429

Unit 11, 328 Reserve Road,
Cheltenham 3192
Victoria, Australia

T + 61 3 9585 6446
F + 61 3 9563 2760

info@ambassadorexp.com.au
www.ambassadorexp.com.au

“New Standard Energy is acquiring Magnum Hunter Resources’ Eagle Ford shale assets in the US in exchange for cash and shares making MHR the largest shareholder in NSE. As part of that deal NSE is also acquiring a 52.5% interest in PEL 570. The consideration for the acquisition of the 52.5% interest in PEL 570 is that NSE must spend up to \$42.5 million on exploration in permit PEL 570, including drilling three wells over the life of the permit.”

“The first step is to complete a large 3D seismic survey in 2014 followed by three subsequent wells which we hope will begin to unlock the massive potential of this part of the Cooper basin.”

New Standard will operate the permit and carry the costs for the five year program up to a maximum of \$42.5 million to earn a 52.5% equity interest in PEL 570. The PEL 570 farm-in is part of a broader transaction for New Standard Energy, which is also acquiring Magnum Hunter’s Eagle Ford shale assets in the US.

New Standard is holding a shareholder meeting in mid-January 2014 to approve the acquisition of Outback Energy and the Magnum Hunter Eagle Ford assets.

New Standard Managing Director Phil Thick, said, “The Cooper Basin has experienced significant activity in the past 24 months as some of the world’s largest energy companies seek exposure to the region. Access to the eastern states gas infrastructure and markets and the new export facilities in Queensland is the key driver of this Cooper activity. New Standard is pleased to now have a footprint there too and we are looking forward to working with Ambassador on this exciting opportunity.”

“We are particularly pleased to have found a partner of the calibre of Magnum Hunter Resources, and we look forward to a long and productive relationship together. Magnum Hunter Resources is a highly reputable operator with strong expertise in shale plays across North America,” Mr Thick said.

Tino Guglielmo
Managing Director:
Ambassador Oil and Gas Ltd
(03) 9585 6446
Email: tino@ambassadorexp.com.au

Media Inquiries to:
Ian Howarth
Collins Street Media:
Email: ian@collinsstreetmedia.com.au
0407 822 319

About PEL 570

The PEL 570 block is the key focus of Ambassador's exploration efforts after identifying potential gas in place of up to 20 trillion cubic feet contained in unconventional rock and coal seams:

- 13 tcf of gas in place in coal seams;
- over 8 tcf of gas in place in tight rocks and;
- 1.5 tcf of gas in place in shale;

The permit is situated in the gas prone Patchawarra trough which is characterised by low-CO₂ levels, likely water free and has the potential to contain significant quantities of valuable petroleum liquids.

Unconventional exploration in the Cooper Basin for both natural gas and petroleum liquids, including oil, is accelerating rapidly. The recent performance of Santos' Moomba 191 discovery highlights the basin's significant shale gas and unconventional gas potential.

The Cooper basin has been recognised as a world scale unconventional gas resource that is connected by export infrastructure to both domestic and export LNG markets. Interest in Cooper assets has been heightened by the current wave of corporate activity including the recent \$349 million farm-in deal by Chevron Inc to Cooper Basin assets controlled by Beach Energy Ltd.

PEL 570 is adjacent to a proven, producing petroleum system and pipeline infrastructure. It consists of five parts; two in the core of the Patchawarra trough and three located north of the Patchawarra trough. The Patchawarra trough is the source for the oil and liquids rich gas fields such as Tirrawarra, Fly Lake and Moorari fields, owned and operated by the Cooper Basin Joint Venture. These fields are located in the southern part of the trough and Ambassador, New Standard and Magnum Hunter intend to target the Patchawarra tight gas sands.

In the northern part of the trough, oil and gas has been discovered at Flax, Juniper and Yarrow. The southern section of PEL 570 is also prospective for gas, being almost surrounded by gas fields including Bookabourdie, Crocus Verona, Cuttapirrie and Lamdina.

About New Standard Energy Ltd

New Standard Energy is an emerging hydrocarbon explorer and developer with an active exploration drilling program. New Standard's board has extensive technical and commercial experience in the oil and gas sector.

New Standard's Southern Canning Project has attracted world class partners in ConocoPhillips and PetroChina and the company has strong cash resources to explore and progress its broad project portfolio. The company is primarily focused on its oil and gas exploration portfolio in the onshore Canning and Carnarvon Basins in Western Australia. The portfolio includes:

- 100% (diluting to 25%) operated interest in EP's 443, 450, 451, 456 in Western Australia's Canning Basin

- 100% (diluting to 25%) operated interest in application areas 1/09-0, 2/09-0 and 5/09-0 in the Canning Basin
- 100% operated interest in EP417 in the Canning Basin
- 100% operated interest in the Seven Lakes SPA area in the Canning Basin
- 100% operated interest in the Merlinleigh project, onshore Carnarvon Basin Western Australia
- 32.5% working interest in the Colorado County Project, onshore Texas USA

In addition to the above portfolio, New Standard has a 28.2% equity interest in ASX listed Elixir Petroleum Ltd (ASX: EXR). New Standard is also continuing to actively assess other opportunities to complement and expand its exploration portfolio.

New Standard Energy's investment in the Cooper Basin acreage, which is prospective for shale gas and close to pipeline infrastructure, was made through the 100 per cent acquisition of Outback Energy Hunter Pty Ltd (**Outback Energy**) for \$5 million (\$2.6 million cash plus \$2.4 million in shares @ 16 cents/share). NSE also takes over a debt of \$1.6 million for expenses to date.

Outback Energy has executed and settled a farm-in agreement (previously subject to a Heads of Agreement) to assume a 52.5 per cent working interest in the PEL 570 oil and gas exploration permit in the Cooper Basin from Ambassador Oil and Gas Limited (**ASX:AQO**).

The addition of the 2,400 square kilometre Cooper Basin acreage (PEL 570) through Outback Energy to New Standard's asset portfolio was negotiated as part of the new alliance between New Standard and Magnum Hunter.

About Magnum Hunter Resources Corp

Magnum Hunter is an independent oil and gas company engaged in the exploration for and the exploitation, acquisition, development and production of crude oil, natural gas and NGL's resources in the United States and Canada. The company is currently active in three unconventional shale resource plays in North America; the Marcellus Shale in West Virginia and Ohio; the Utica Shale in south-eastern Ohio and western West Virginia; and the Williston Basin/Bakken Shale in North Dakota and Saskatchewan, Canada.

Magnum Hunter was one of the first movers in the Eagle Ford Shale play and established the company as a leader in the US "shale revolution"

Chairman and CEO Gary C Evans was recognised by Ernst and Young as the Southwest Area 2004 Entrepreneur of the Year for the Energy Sector and was subsequently inducted into the World Hall of Fame for Ernst & Young Entrepreneurs. In 2013 he was awarded US Energy Industry Leader of the year.

He is also chairman of GreenHunter Resources, Inc. (NYSE MKT: GRH), is an Individual Trustee of TEL Offshore Trust, a publicly listed oil and gas trust and a director of Novavax Inc., a NASDAQ listed clinical-stage vaccine biotechnology company. He also serves on the board of the Maguire Energy Institute at Southern Methodist University.