



AMBASSADOR OIL AND GAS LIMITED

ASX Announcement

Quarterly report for the period ending 31 December 2013

Release date: 30 January 2014

HIGHLIGHTS

- **Cooper Basin PEL 570 farm-out approved by New Standard Energy shareholders**
- **PEL 570 farm-out generates an implied value of 27c per Ambassador share**
- **World leading unconventional explorer Magnum Hunter to guide Cooper Basin oil/gas hunt**
- **A\$1 million sale of Montana (USA) acreage completed**
- **Exercises an option to acquire up to an additional 9350 net acres of prospective oil exploration property in south east Colorado**

PEL 570

Farm-out to Outback Energy Hunter

On 10 December 2013 Ambassador Oil and Gas Ltd's (ASX:AQO) announced it had agreed to the farm-out of a 52.5% working interest in its highly prospective PEL 570 exploration permit in the Cooper Basin (South Australia) to Outback Energy Hunter, a wholly owned subsidiary of 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 the expertise of US shale industry pioneer, Magnum Hunter Resources Corp (NYSE:MHR), to bear in the hunt for the high liquids content/low CO₂ gas targets known to exist in PEL 570.

Subsequently, early this quarter New Standard Energy shareholders overwhelmingly approved the farm-in leaving just a final regulatory step of South Australian Ministerial approval to be completed.

The entry of Magnum Hunter as technical adviser to the exploration of the unconventional targets in PEL 570 has also been assured. Last week Magnum Hunter Resources subsidiary, Shale Hunter LLC (a MHR company) provided written assurance of technical advice and support for the proposed work program in PEL 570.

US unconventional acreage

Ambassador broadened its oil exploration efforts by acquiring highly prospective oil exploration leases in emerging, oil prone, resource plays in the Rocky Mountain region of the United States of America. The leases acquired represent a low cost option in an emerging oil province.

Exercise of option to acquire oil properties in Colorado

Ambassador holds leases in the Denver Julesburg basin in Colorado totaling over 3,000 net acres.

In the last quarter the company exercised an option to acquire up to a further net 9,350 net acres in Arapahoe County. The balance of the cost of this acreage, of A\$682,000 was paid during the quarter, bringing the total cost of the Arapahoe land to A\$1,040,000. Finalisation of the acquisition is subject to title verification and is expected to be completed in the current quarter.

The land in Arapahoe County is adjacent to properties that have hosted recent oil discoveries, increasing the prospectivity of the area. The land being acquired has no associated drilling commitments and represents a low cost entry into an exciting emerging oil resource play in the USA.

Sale of Montana land holdings

During the quarter Ambassador completed the sale of its Montana holdings receiving A\$1 million and realising a small cash profit

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About Ambassador

Ambassador Oil & Gas Ltd is a diversified unconventional oil and gas exploration company with assets in Australia and the US.

PEL 570 has independently identified potential gas in place of up to 20 trillion cubic feet contained in unconventional rock and coal seams.

The permit is situated in the northern end of the gas prone Patchawarra trough which is characterised by low-CO₂ levels and higher liquids content, particularly in the northern regions of the basin. It covers 2400 km², is close to infrastructure and remains a key target for unconventional gas exploitation. The Cooper basin is linked to the east coast gas market by an existing gas pipeline network providing Cooper basin gas with direct access to Queensland Liquefied Natural Gas projects near Gladstone currently under construction and the wider Australian East coast market.

In the US Ambassador has acquired highly prospective oil and gas exploration leases in emerging, oil prone, resource plays in Colorado. Ambassador holds a parcel of leases in Colorado totalling 3,327 net acres and has exercised an option to acquire up to a further net 9,350 acres in Colorado.

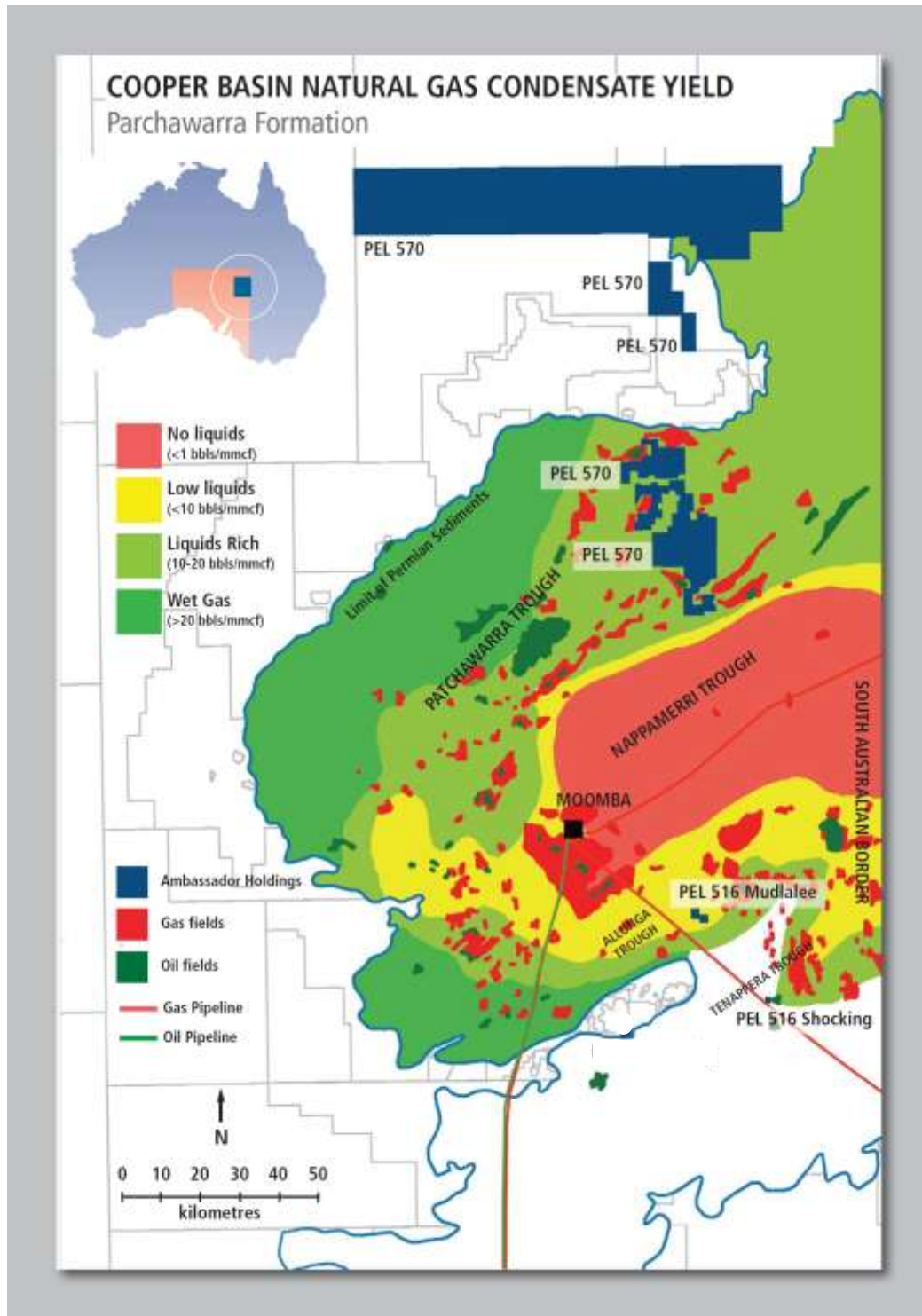
Competent Person Statement

Unless otherwise indicated, the statements contained in this report about Ambassador Oil & Gas Limited reserves estimates have been prepared by Mr Guistino Guglielmo BEng (mech) MSPE FIEAust, who is Managing Director, a full time employee of Ambassador Oil & Gas Limited, in accordance with the definitions and guidelines in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (**SPE PRMS**). Mr Guglielmo consents to the inclusion of the reserves estimates in the form and context in which they appear.



Ambassador Oil and Gas Ltd

Location of Ambassador Oil & Gas assets - South Australian Cooper Basin



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Ambassador Oil & Gas Limited

ABN

28 152 595 429

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(262)	(589)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	6	117
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		
		(256)	(487)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(682)	(682)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	1000	1000
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		318	318
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	62	(169)

1.13	Total operating and investing cash flows (brought forward)	62	(169)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
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 (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	62	(169)
1.20	Cash at beginning of quarter/year to date	6,375	6,606
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	6,437	6,437

Payments to directors of the entity, associates of the directors, 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	111
1.24	Aggregate amount of loans to the parties included in item 1.10	N/A
1.25	Explanation necessary for an understanding of the transactions	
	N/A	

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

N/A

- 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	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	250
Total	250

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	1,109	1,107
5.2 Deposits at call	5,328	5,268
5.3 Bank overdraft	-	-
5.4 Other (refundable deposit on oil and gas leases at 31 March reclassified as loans)	-	-
Total: cash at end of quarter (item 1.22)	6,437	6,375

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Montana Oil and gas leases	70%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Colorado Oil and gas leases	0%	100%

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 (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference	-	-	-
	+securities (description)			
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-
7.3	+Ordinary securities	142,058,491	142,058,491	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-
7.5	+Convertible debt securities (description)	-	-	-

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (<i>description and conversion factor</i>)	-	-	-	-
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>)	-	-		

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Emmanuel Correia
Director/Company secretary

Date: 30 January 2014

Print name: Emmanuel Correia

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 and petroleum 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 or petroleum 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: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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